SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 12, 1933

No. 15

Reference,—Milk and Milk Products

WITNESSES:

W. F. Jones, General Manager, Ottawa Dairy, Ltd.,

B. H. Thorne, Secretary-treasurer, Ottawa Dairy, Ltd., and Regional Accountant, Borden's Limited of Canada.

Appendix "B"—Documents filed by Witnesses.

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1933

MINUTES OF PROCEEDINGS

House of Commons,

Wednesday, April 12, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Boyes, Brown, Butcher, Coote, Donnelly, Fafard, Gobeil, Hay, Jones, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Porteous, Rowe, Sauve, Senn, Shaver, Simpson, Spotton, Stirling, Taylor, Thompson, Tummon, Weese, Wilson.

W. F. Jones, general manager of Ottawa Dairy Limited, was called and sworn.

Witness read a prepared statement and was examined at length. Witness to file certain required information with the clerk.

Witness retired.

B. H. Thorne, secretary-treasurer of Ottawa Dairy Limited and regional accountant of Bordens Limited of Canada, called, sworn, examined and retired.

Witness to file certain further required information with the clerk.

The meeting adjourned at 1 o'clock to reconvene at 3.30 p.m.

The committee reconvened at 3.30 p.m., Mr. Senn presiding.

Witnesses Jones and Thorne were recalled and submitted to further examination.

Witnesses retired.

The meeting adjourned till 10.30 a.m. Thursday, April 13, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 12, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, Mr. Senn presiding.

The CHAIRMAN: The committee has met this morning to hear Mr. Jones of the Ottawa Dairy.

WALTER FRANK JONES, called and sworn.

By the Chairman:

Q. Will you give your name and occupation to the committee?—A. Walter Frank Jones, General Manager of the Ottawa Dairy.

Q. I understand you have a statement prepared?—A. Yes.

Q. Which you intend to submit to the committee?—A. Yes.

Mr. Chairman and members of the Agriculture Committee, as one extremely and vitally interested in the welfare of the Canadian Dairy Industry, I welcome the opportunity of giving evidence before this Committee. My whole working life has been devoted to dairying in one capacity or another, and comprising actual dairy farming, dairy products manufacturing, governmental positions—both Federal and Provincial—and for the past four years back in the commercial field, in the order named. For some time I have been under the impression that the reading public has not clearly understood the problems confronting the industry,—particularly the production and distribution of fluid market milk—and I am sincerely hopeful that the deliberations of your Committee will result in the true facts being made accessible to the public.

With this thought in mind, I have had prepared a series of tables showing the purchase and selling prices of milk by our company, the nominal and actual spread, and other data pertinent to the subject under investigation by months for the years 1931 and 1932, but before presenting same, may I be permitted to spend a few moments to describe briefly some of the outstanding factors which have affected the Ottawa milk situation during the past year of 1932.

Conditions prevailing in the purchasing and distribution of milk to the Ottawa market were far from satisfactory, both from the farmer's point of view and also from that of the dairy companies. Low prices to the producer, as compared with those of a few years ago, and reduced margins enjoyed by the distributors were not conducive to the happiness of either parties. It is true, the Ottawa consumer may have benefited temporarily from lower retail prices, although even he is beginning to suffer as a result of reduced purchasing power on the part of many farmers and its effect on the prosperity of the city as a whole.

The unfortunate situation of last summer was not peculiar to the city of Ottawa; it was general throughout not only Canada but other countries in varying degrees of intensity. But because of the facility with which relatively cheap milk may find its way to the Ottawa market, it was probably more pronounced in this district than in other cities of corresponding size in Ontario and Quebec. In the case of our own company, eighty-five per cent of all the milk we purchase is produced within 10 miles from the city, and practically all the milk consumed in Ottawa comes from a zone of approximately 20 miles.

The world markets in general and specifically the low prices obtaining for butter and cheese were the basic cause of the breaking down of the fluid milk

price structure in Ottawa last summer. In former years, when butter and cheese prices were high, the patrons of such factories were able to maintain their farms and earn a comfortable living from the revenue from such factories, so that there was little incentive to them to enter the city milk market. But as butter and cheese prices became lower and lower, the producer of milk for these products was of necessity forced to find a more profitable market, and thus relatively cheap milk became available to new companies in the market milk business. A lower cost of product than that paid by the older established companies enabled the newer concerns to sell at reduced prices. The Milk Producers' Association, from whom the larger companies purchased the raw product, was reluctant to dispose of their milk at a price to the companies which would permit them to meet the reduced selling prices of the newer concerns. For many months the older companies did their utmost to maintain fair prices to the consumer and producer of milk, but, finally, the effect of the competition of factory milk on volume of sales made it compulsory to meet this low priced competition in order to preserve their market and that of the regular fluid milk shippers.

Lower selling prices necessitated lower purchasing prices to the farmer, although, as shown by Tables I and II, part of the reduction was absorbed by the dairy companies. While such action was successful in combatting competition from factory milk, it resulted in a number of farmers—dissatisfied with the lower returns for their milk—endeavouring to sell milk at cut prices direct to Ottawa consumers. It is obvious that, while the relatively few individual farmer pedlars may benefit by such a policy, the majority of the milk shippers to the Ottawa market suffer in that such conditions prolong the day when a return to normal prices may be realized by the main body of milk producers.

In 1929 the city of Ottawa was served by 13 milk distributors and three pasteurizing plants as compared with 14 pasteurizing plants and approximately 60 individual distributors to-day. In addition to the farmers who sell their milk direct to the consumer, a large number of independent producers, some located relatively great distances from the city, are disposing of their cream to householders, which decreases considerably the amount of sweet cream which would otherwise be supplied by the Milk Producers' Association.

A former witness before this Committee recommended a "coercive association" of milk producers as a means of improving conditions in the market milk industry. I do not know if it is possible to compel men to become members of an association, but I do believe that the stronger and more active the association, the fewer will be the sad experience of last summer.

In this connection may I quote from the report of the English Reorganization Commission, appointed last April under the chairmanship of Sir Edward Grigg:—

> The greatest weaknesses of the present organization of milk producers are incompleteness and the lack of control over the individual. The National Farmers' Union no doubt includes in its membership a substantial proportion of milk producers in the country, but no organization can hope to secure the maximum effectiveness unless it is all-embracing and can count on the loyalty of its individual members.
>
> Whatever else it may be desirable to achieve by the reorganization of the industry it is therefore essential to secure that the producers are placed on a stronger footing. They must be in a position, firstly, to bargain as a body with one voice; secondly, to speak with full knowledge of relevant facts; and thirdly, to ensure that no milk is sold outside the conditions laid down in the negotiated agreement, whether it be the national agreement or a variation of that agreement mutually accepted for application to a specific area.

The same thought is expressed by Mr. W. G. Marritt, secretary of the Ontario Whole Milk Producers' Association, who has stated that one of the chief policies of his association is "to control all milk shipped to the whole milk markets," and by an editorial in the "Ontario Milk Producers," published by the same association, which reads "without effective organization there is no hope of stabilizing the fluid milk market."

May I now refer to the operations of the company which I represent, viz., the Ottawa Dairy, Limited.

Tables I to IV, copies of which have been photostated and will be filed with your committee, furnished data with respect to our purchases and sales of milk by months for the years 1931 and 1932. Last year we purchased a total of 29,533,673 pounds of milk at a value of $345,055.37, or an average price of $1.17 per 100 pounds (see Table III) f.o.b. farm. In comparing purchase prices of milk in Ottawa with those prevailing in other cities, it should be borne in mind that the former prices are f.o.b. the farm, whereas in other cities the prices quoted are usually delivered either the plant or the railway platform. The average haulage cost of milk in the Ottawa district for 1932 was approximately ·43 cents per quart.

Of the total amount of milk purchased, 23,665,597 pounds or 80·1 per cent was paid for at the association price, 1,921,605 pounds or 6·5 per cent at sweet cream prices, and the balance of 3,946,471 pounds, or 13·4 per cent, at surplus milk prices. (See Table IV.)

The average prices paid per 100 pounds for each of these three classes of milk were as follows:—

Association, $1.29; sweet cream, 77 cents; surplus, 64 cents. Average for the whole year, 1932.

The figures in Table II show that in 1932 we purchased 13·8 per cent more milk at the association price than we required for our street sales, comprising both retail and wholesale.

Sweet cream and surplus milk prices are based on the prevailing prices of milk furnished to butter and cheese factories. The following table shows the prices paid by our company for sweet cream milk as compared with the prices which would have been realized by the farmer had he shipped same to a butter factory and received a special grade for all his cream.

PURCHASE PRICE PER CWT. OF MILK FOR SWEET CREAM COMPARED WITH BUTTER FACTORY PRICES

Month	Sweet cream milk	*Butter factory price	Difference
	$ cts.	cts.	cts.
January	1 01	70·75	30·25
February	0 97	59·50	37·50
March	1 02	85·75	16·25
April	0 84	70·00	14·00
May	0 82	59·50	22·50
June	0 71	56·00	15·00
July	0 69	56·00	13·00
August	0 70	63·00	7·00
September	0 77	73·50	3·50
October	0 77	73·50	3·50
November	0 78	70·00	8·00
December	0 78	70·00	8·00
Average for the year	0·7694	66·09	10·85

*Special grade prices converted to 100 pounds of 3·5 per cent milk.

The average price paid for sweet cream milk was lower than the cost of the milk used for sweet cream, as shown in another table, owing to our over purchases of milk at Association price being used for sweet cream sales. Sixty-six per cent of the milk used for sweet cream sales was purchased at the street sales price.

Table I gives by months for the year 1931 and 1932 (*a*) the purchase price f.o.b. the farm per 100 pounds and per quart of milk testing 3·4 per cent fat agreed upon between the Milk Producers' Association and our company, (*b*) the highest selling price per quart paid by the consumer, and (*c*) the spread per quart between the two. The average nominal spread for 1932 was 6·064 cents per quart as compared with 6·353 cents in 1931, a decrease of ·289 cents per quart, which represents a total decrease in spread of $23,308.81 on our volume of sales.

The actual spread differs from the nominal spread owing to,—

(1) Premiums paid for milk testing over 3·4 per cent fat, which increases the purchase price above the price agreed upon between the association and the company. In 1932 the net premiums paid by our company amounted to $13,315.97.

(2) Milk being sold at prices lower than the highest retail price, e.g. to stores, hospitals, restaurants and social service customers. In 1932 seventy-one per cent of our milk sales were retail and 29 per cent wholesale, while the percentage of cream sales were 57 and 43 for retail and wholesale respectively.

Table II shows by months the pounds of milk purchased at the association price, plus premium, the actual purchase price per hundredweight and per quart, the number of quarts sold, the value of sales, the sales value per quart and the actual spread.

From this table it will be noted that:—

(1) The selling price per quart was 8·92 cents in 1932 as compared with 10·96 cents in 1931, a decrease of 2·04 cents per quart.

(2) The average spread obtaining in 1932 was 5·62 cents per quart as compared with 6·06 cents in 1931, a decrease of ·44 cents per quart, or a total of $35,492.04 which our company absorbed as a result of the decreased spread.

Table IIA compares the nominal spread per quart with the actual by months for the years 1931 and 1932. In the latter year the actual spread between the purchase and selling price was nearly one-half cent (·44 cents) lower than the spread which the reading public were led to believe was enjoyed by the distributor.

The following table explains how the spread between cost and sales value was distributed among the various expenses necessary to handle and distribute a quart of milk in 1932.

—	Converted quarts	—	Percentage of selling price
	$	$	
Sales	....	0·0890	
Cost of product	0·0366	....	41·12
Production expense	0·0151	....	16·97
Selling and delivery expense	0·0333	....	37·42
Container costs	0·0025	....	2·81
Net profit (after income tax)	0·0013	....	1·46
Income tax	0·0002	....	0·22
Total cost and profit	....	0·0890	100·00

Before concluding this voluntary statement, may I add that our company always confers with the executive of the Milk Producers' Association before making any changes in the purchase price, or in the method of purchasing milk. While it is regrettable that world conditions, which neither the association nor ourselves were able to control, resulted in lower prices last summer to the producer than have been in effect for a great many years, we are of the opinion that had it not been for the close and harmonious contact existing between the association and the few distributors who purchase their milk from the association, the unfortunate situation might have been still more disastrous.

We believe in a strong, active, Milk Producers' Association as being in the best interests of the market milk industry and are appreciative of the sane judgment and spirit of co-operation exhibited by the executive of the Ottawa Valley Milk Producers' Association during the last few trying years.

Q. That is the extent of the statement, Mr. Jones?—A. Yes.

Q. You have not any further statement to make in regard to items of expenditure?—A. Well, I have that.

Q. You have it only in percentages?—A. Yes, but I have that covered with our analysed statement of net income, sir. Maybe there are some questions to be asked.

Q. There will be questions, no doubt. You say to begin with that the fact that the number of distributors has increased very materially has had an effect on the prices to the producer?—A. Yes.

Q. Why?—A. Because it has decreased the volume of sales to the companies to whom the Ottawa Dairy Milk Producers Association has been selling their milk.

Q. You mean the smaller company is underselling the larger company?—A. Yes.

Q. Can they do so at a profit?—A. I do not know, sir.

Q. Is it not rather a strange coincidence you cannot compete with them, or can you compete with them?—A. Time will tell, sir.

By Mr. Boyes:

Q. You were making a comparison of the prices you paid for sweet cream with the prices paid for select cream at creameries. Is that fair? The cream that is paid for at creameries is bought for the purpose of manufacturing butter, and yours is for the purpose of making sweet cream.—A. I cited that table to show the difference that the farmer would receive.

By Mr. Tummon:

Q. Mr. Jones, I am unable to follow all the tables and figures you gave. I do not want to ask any question that is a repetition of what you have given in your statement. I think you have pretty well anticipated some of the questions I was going to ask. However, there is a producers' association which you mentioned, around the city of Ottawa?—A. Yes.

Q. Have you any idea as to how many producers that association represents?—A. I prepared those figures, but I am sorry I have not them with me. From memory I think the producers association represents approximately 80 per cent of all the milk consumed in Ottawa. I have those figures in my office, sir, and I could give them to you.

Q. You cannot put a rough estimate on the number of producers?—A. No. I can get you that information. I have it in my office, but I figured it out on the percentage of milk delivered to Ottawa, and if I recall correctly, it was about 80 per cent. I can give you the actual number.

Q. The actual number?—A. Yes.

Q. I think it would be interesting if we had that. Now, those producers that you spoke of as composing the Ottawa Producers' Association, or the Ottawa District Association, you say, are all within a radius of 10 or 20 miles of the city of Ottawa?—A. No, I think there are some—I think there may be some a few miles further than 20 miles, but the big majority of them are within a radius of 20 miles.

Q. Your milk practically comes from all within that district?—A. Yes, I gave you the figure.

Q. In arranging the price that is to be paid, the association price, how do you proceed with the Producers' Association in arriving at that price?—A. We first get in touch with the president of the Producers' Association and arrange for a meeting, and the distributing companies, the few distributing companies who purchase through the association, meet the executive of their association, and discuss prices, sometimes until one and two o'clock in the morning.

Q. How many distributing companies in the city of Ottawa co-operate in that way?—A. Four.

Q. Just four?—A. Yes.

Q. You say there are at the present time how many distributors in Ottawa? —A. Approximately sixty.

Q. Approximately sixty?—A. Yes.

Q. And that increased during the past?—A. Since 1929.

Q. I think you said something like—I tried to get it down, but I think you mentioned that in 1929 there were thirteen distributors?—A. And three pasteurizing plants.

Q. Three pasteurizing plants?—A. And those have increased to sixty and—

Q. —and fourteen pasteurizing plants. What are the names of the four distributing companies who meet with the producers' association?—A. Clark's Dairy.

Q. What is that?—A. Clark's Dairy, Central Dairies, the Producer's Dairy and the Ottawa Dairy Limited.

Q. How do you proceed now, when you have your meetings, to arrive at the price that is going to be paid?—A. The executive of the Ottawa Valley Milk Producers' Association sit in one room, and they compare notes. The representatives of the four different companies sit in another room and compare notes. Then we as distributors are called in to their meeting, and we discuss the situation at some length. We retire, come back again, and if we are fortunate we arrive at a price that night. If not, we have a subsequent meeting and discuss the price.

Q. All your milk is pasteurized, Mr. Jones?—A. Yes.

Q. All that you distribute?—A. Yes.

Q. How many pasteurizing plants are there in the city of Ottawa, do you know?

The CHAIRMAN: He said fourteen. Here it is.

The WITNESS: Yes, there are fourteen pasteurizing plants taking care of the milk consumption in Ottawa. I don't think all of those are located in the city. There are one or two that are outside of the city.

By Mr. Tummon:

Q. Is it compulsory in the city of Ottawa; are there any by-laws of the city that compel or demand that all fluid milk delivered in the city or distributed in the city, be pasteurized?—A. No, sir.

Q. There is no by-law covering that or demanding that?—A. No, sir.

Q. Then the question as to whether or not the consumer buys pasteurized milk lies with the consumer, does it?—A. Absolutely, sir.

Q. How many classes of milk are delivered or distributed in the city?—A. By our company?

Q. Yes, your company first.—A. There is Jersey milk—

Q. All right, let us get it in order. First there is pasteurized milk?—A. And raw.

Q. Now, what do you mean by raw milk?—A. Milk that is not pasteurized.

Q. Just the same milk that comes in from the producer, only it has not passed through the pasteurizing plant?—A. That is right.

Q. That is two. Then you say there is Jersey milk.—A. The various classifications are as follows: there is Jersey milk which has approximately five per cent fat content or better; and nursery milk with a fat content of approximately four per cent; the regular pasteurized milk with an average fat content in the case of our company of 3·565 per cent in 1932. Then there is homogenized milk. I think that covers all the classifications.

Q. Let us take the question of pasteurized milk. We had evidence the other day, if I remember correctly—I have not had time to look it up, but if I remember correctly the evidence was that in connection with pasteurizing milk that there was a loss of approximately two quarts on every eight gallon can in the process of pasteurizing. Do you agree with that?—A. Our total shrinkage over a period of time is from 1·8 to 2 per cent of all the milk we handle. That is what we call the shrinkage or loss; an average, I would say, of approximately 1·9 per cent.

By the Chairman:

Q. Through pasteurizing?—A. Not only through pasteurizing, but through some staying in the pipes or staying in the cans.

By Mr. Tummon:

Q. Slopping, or spilling?—A. Yes. The total shrinkage. I have not got the percentage of decrease due to pasteurizing alone. I don't know where we could get it. I endeavoured to get it. I remember some years ago Professor Dean of Guelph came out with some figures on it, but I could not find the reference; I am sorry I can't give you that.

Q. You would be inclined to say that the actual loss as a result of pasteurization is not two quarts out of every eight gallons?—A. Well, I would have to figure that out. I would say it is not greater than 1·9 per cent of the total milk handled.

Mr. Tummon: Well, Mr. Chairman, I am of the opinion that this is quite an important point in this investigation; at least I have thought over it. I understand that there is a pasteurizing plant at the experimental farm, and I think it would be a good plan if this committee would ask the Minister of Agriculture to make actual tests there with the pasteurizing plant, and see just exactly what the shrinkage is as a result of pasteurization.

The Witness: A can of milk, Mr. Tummon, weighs approximately 80 pounds. If you have two per cent shrinkage of that, it would be 1·6 pounds; and the average weight of a quart of milk, milk of average specific gravity, is 2·58. So that from that figure it looks as though—

By Mr. Tummon:

Q. You are a long ways under.—A. Yes, under a quart.

Q. That is what I thought. Now, the average cost per quart that you gave us a while ago there, the average cost of your quart—you gave there the total number of pounds of milk that you purchased in 1931 and 1932, didn't you?—A. Yes.

Q. You have that in the table; I don't want to repeat that.—A. Yes.

Q. You gave there the actual cost figured down to a quart?—A. The actual price paid to the farmer f.o.b. his farm for the quart of milk.

Q. You gave us that?—A. Yes.

Q. That actual cost per quart that you gave us there, does that cover just milk that was pasteurized or does that cover the different grades of your milk that you deliver?—A. No; that just covers what we purchased at the street sales prices, in Table 2.

Q. Yes, I know; purchased at the street sales price, but the street sales price for your pasteurized milk or for your jersey milk; are they all included in that?—A. Not the nursery and the jersey.

Q. No special milk?—A. Because we produce that ourselves on our own farm. It just applies to the milk we purchased from the farmers for pasteurizing and for selling to the consumers.

Q. Unpasteurized?—A. Pasteurized, selling pasteurized.

Q. Then it does not include milk that you say is delivered in the city but not pasteurized?—A. We don't deliver any milk in the city that is not pasteurized.

Q. I thought you told us a minute ago that you did?—A. Our milk is all pasteurized.

Q. But the other companies may deliver it not pasteurized?—A. I don't think so, sir.

Q. I understood you to say that it was not compulsory to pasteurize it, and that some milk was delivered just as it was received from the producers, but not pasteurized.—A. Some milk is being sold.

Q. That answers my question, while your company might not. That is raw milk, of course?—A. Yes.

Q. And that includes the entire cost practically of the milk, street sales milk. Now, will you refer again to the items that make up the spread. You said the spread was how much, Mr. Jones, the spread between the cost price and the average street selling price?—A. The actual spread in 1932 per quart was 5·62 cents.

Q. 5·62 cents. How do you account for that spread?—A. Cost of product 3·66

Q. 3·66, that is the price of milk paid to the producer, plus carrying charges into your plant?—A. Yes.

Q. All right.—A. Production expense, 1·51.

Q. What do you mean production expense? What enters into that?—A. Production expense comprise the following: salaries and wages, all plant supervision, laboratory, power and refrigeration, receiving and testing, pasteurizing bottling, canning, washing bottles and cans, making condense, powder and casein, ice and brine, building repairs. Those are the captions we use under salaries and wages.

Q. Yes?—A. There is another item under production expenses, named "expenses." That includes stationery, postage, supper money—that does not apply in the milk business, that applies to the ice cream business—telegraph and telephone, travelling expense, books and magazines, automobile expense, laundry, water, light, heat, testing new bottles, ice-making. There is another sub-heading under production expenses, "Materials": ammonia, coal used, cartons, wrappers, bottle caps, ice and salt used, washing powder, laboratory materials, brine, service suits and coats. Depreciation comes under production expense. The rate of depreciation is as follows: on buildings, 2¼ per cent to 3¼ per cent, depending on the nature of the building; machinery and equipment for milk, six per cent.

Q. Just a minute there, Mr. Jones; depreciation on building you say how much?—A. Two and one-quarter per cent to three and one-half per cent.

Q. I wonder if you would be prepared to give an estimate of the number of years that it would be fair to write off the depreciation on buildings?—A. No, sir, I am familiar wth that. I could not do that. It would depend on the nature of the buildings, and the changes that are made to keep up with the times, from time to time.

Q. Would you say that it would be fair if a company were prepared to write off the depreciation on the buildings for twenty years?—A. I am sorry, sir, that I am not in a position to answer that.

Q. You could not say that?—A. I would if I could, but I am not in a position to answer that question.

Q. All right.—A. Machinery and equipment for milk, 6 per cent; horses, $3 per horse per month; harness, 10 per cent; wagons and sleighs, 10 per cent; cows, $2 per cow per month; furniture and fixtures, 7 per cent; automobiles, 25 per cent, 20 per cent and 12½ per cent, depending on the size and weight and so on of the trucks; the larger the truck, the heavier the truck, the lower the rate of depreciation.

Insurance: self fire insurance and other outside coverage; and property taxes. Those are the sub-headings under production expense.

Q. Then really what you have under production expense covers distribution; in short, it covers the handling in the plant, and the distribution, does it not?—A. Not the distribution, sir. Just the production. The distribution would come under selling and delivery expense.

Q. Well, what automobiles then, and what trucks have you placed in production costs there?—A. Well, now, I am not sure whether they enter into that production expense or not. I gave you the total headings that come under that. Some of them apply to ice cream and other products. Those are the total headings. We have two cars that are doing certain work of the dairy hauling bottles maybe from ourselves to other distributors, and doing work of that nature, and a portion of that is placed in that.

Q. They are really not in distribution?—A. Oh, no, they are not in distribution at all.

Q. Then you have not charged into the cost of production these vehicles which are used for distribution?—A. No, sir.

Q. All right. Then come to the next cost?—A. Selling and delivery expenses, 3·33.

Q. All right; what is covered by that?—A. Salaries and wages—that is a sub heading; under salaries and wages, delivery supervision,—(that is supervision of the route salesman)—office employees, solicitors, foremen, route salesmen helpers, stable men, washing wagons, horse shoeing, yard men, watchmen, garage supervision, mechanics and service men, tin shop and wagon shop. Another sub heading, Commissions: route, salesmen and inspectors. Another sub heading, expense: Stationery, postage, telegraph and telephone, travelling expenses, waste on routes, stable expense, horse shoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenace buildings and structures, machinery and equipment, harness and wagons, painting and miscellaneous. Under materials: Feed and bedding, horse shoeing materials and supplies, gasoline and oil, tires and tubes, repair parts and supplies used in shops. Insurance: self fire insurance and other outside coverage. Taxes: Property, automobile licences, business tax. That is all included under selling expense.

Q. I notice in that account there you mentioned maintenance of buildings and such like, didn't you?—A. Yes, repairs and maintenance buildings and structures.

Q. Well, in the previous account, in the cost of production, you wrote off depreciation for buildings?—A. Just what percentage is used for each one I could not say.

Q. You separate the buildings, do you?—A. We have a separate account for each department?

Q. Buildings that are used wholly for the distribution is charged into that?—A. Yes.

Q. All right, what is next?—A. Container cost.

Q. Which?—A. Container cost, ·25.

Q. What does that include?—A. That includes bottles, cases, caps—no caps—and cans.

Q. You furnish the cans to the producer?—A. We charge a rental on the cans.

Q. How much rental do you charge?—A. The rental is 7½ cents per can per month.

Q. And you keep the cans in repair?—A. We keep the cans in repair. I should explain that that is on one set of cans, 1½ cents a can. Supposing a shipper was sending in three cans a day—supposing he averaged three cans per day. He would be charged for six cans at 7½ cents a can per month, which would amount to 45 cents for the month.

Q. If a man had three cans of milk per day, I presume you go on the ground that he will have three cans coming in and three cans going out?—A. He has three cans at the farm to hold his milk. That was based on the depreciation of the cans. We did quite a bit of work on that before we arrived at this figure, which we felt was a fair figure.

Q. In regard to the bottles, can you give the committee any idea of the cost of bottles, that is the annual cost to your company of bottles?—A. Yes. I have this in shipments and value. Value of loss, it shows a total of 9,772,803 shipments with a total value of loss on those shipments of $21,364.

Q. For a year?—A. For the year 1932.

Q. $21,000?—A. $21,364.98.

Q. That covers loss of bottles and breakage?—A. Yes, everything to do with it.

Q. And replacements?—A. The way we do, we take an inventory at the beginning of the month, or rather the end of the month, and then we take an inventory at the end of the next month, and the difference between the two we determine is our loss of bottles.

Q. You never have any profit?—A. The value of the loss per shipment or value of the loss per quart of milk handled was ·1782 cents.

The CHAIRMAN: Repeat that question, Mr. Tummon.

The WITNESS: You mean profit on the bottles, I presume?

By Mr. Tummon:

Q. Yes?—A. I don't see how we could get a profit on the bottles.

Q. I thought some bottles might turn up that were lost.

Mr. STIRLING: The annual collection, bottles are collected.

By the Chairman:

Q. I understood from you, Mr. Jones, that you take an average of one month and estimate the total loss for the year?—A. No, we do it every month.

Q. Every month?—A. Yes.

By Mr. Tummon:

Q. Then you take the average for the year, the total for the year?—A. Yes, that is figured on the total for the year. In that connection I might say that the number of trips per bottle, that is all bottles, quarts, pints and

half pints, was 24·58. That is the average for the year, and it does not compare very favourably with figures that you have heard before from another representative of an associated company; but I would like to say that we have been giving this matter serious consideration for the last two or three years, and it is much better now than it was four years ago. I might say that at the present time we are getting over thirty trips per bottle, which shows that while we are not as good as some companies, we are on the right road, and we are not overlooking that cost of bottles.

Q. Mr. Jones, can you give the committee an idea of how many bottles you have on hand at present, from your last monthly statement?—A. I am sorry, I have not that figure. I could submit it though, if you like. Would you like me to file that with the committee?

Q. Yes, I think it would be interesting.—A. That is the number of bottles we have on hand say at the first of the month?

Q. Yes.

Mr. STIRLING: At the last inventory taken.

The WITNESS: The last inventory taken?

By Mr. Tummon:

Q. Yes. Have you covered that item of cost, then?—A. As far as bottles are concerned. I don't see anything about cases. I have not those figures with me. We make our own cases. I think they cost us approximately $3.50 each. The bottles is the main item.

Q. You gave the items that made up that cost of distribution?—A. That covers it there.

Q. What is the next item that entered into the spread?—A. The income tax.

Q. Some of the members of the committee would like to know where the loss, the main loss in bottles comes about. Is it in the plant or on the street they are lost?—A. I think the main loss would be on the street, sir.

Q. How, in what way?—A. In bottles not coming back to the dairy. Our loss was greater at one time a few years ago, owing to the store trade. People would purchase bottles in the stores, and maybe the milk company whom that customer patronized was a different one from the company whose milk she bought in the store, and it was sometimes difficult to get those bottles back; so a few years ago we formed what is known as The Ottawa Milk Bottle Association to institute a store bottle in the city of Ottawa, and that is a universal bottle that is used here by the companies whose names I mentioned some time ago in reply to another question; and there is a deposit of five cents charged on every bottle that goes into the store; and that has, we feel effected quite an improvement. We don't see so many bottles in the spring of the year now as we did, when the snow goes away.

Q. Any one of these bottles, no matter whether used by another company, if it comes back to you, it is the same thing?—A. We redeem it.

Q. You say the next item entering into the cost of production or spread is the income tax?—A. Yes.

Q. And then after that— —A. The net profit of ·13 cent per quart.

Q. ·13 cent per quart. Your company, Mr. Jones, is an independent company, is it?—A. No, sir, our company is one of several associated companies.

Q. Of what company?—A. With a holding company of Borden's Limited of Canada.

Q. With head office where?—A. At Toronto.

Q. Head office at Toronto?—A. Yes, of Borden's Limited.

Q. Does Borden's Limited own more companies in Ottawa, any other company in Ottawa besides the one with which you are connected?—A. Yes, the Moyneur Cooperative Creamery, and the Chateau Cheese Company.

Q. Do they all distribute milk on the street?—A. No, sir. They manufacture butter and cheese. Then there is the Laurentian Dairy Limited, which comes under my supervision.

Q. It is part of the same company?—A. Yes. In fact, the figures that I have given you there are a combination of the two, of the Laurentian Dairy and the Ottawa Dairy.

Q. Then all the figures that you have submitted this morning in your report cover figures of the Ottawa Dairy and the Laurentian Dairy combined? —A. Yes.

Q. Then in reality Borden's Limited own four companies in Ottawa?—A. Yes.

Q. Can you give this committee any idea as to the number of companies that is owned in the province of Ontario by Borden's Limited?—A. I think I could recite them, sir. There is the four I mentioned in Ottawa. There is the City Dairy in Toronto; Caulfield's Dairy in Toronto.

Q. What is that?—A. Caulfield's Dairy.

Q. Yes?—A. The Hamilton Pure Milk Company in Hamilton; the Hamilton Dairies Limited in Hamilton. Those two companies are combined now.

By the Chairman:

Q. Just within the last week or two, this last month?—A. Very recently, I think. They have the Walkerside Dairy at Windsor and Borden's Niagara Dairy at Niagara.

By Mr. Tummon:

Q. That is in Ontario. Now, does that include, or are there any plants of Borden's Limited outside of those cities, out through the country, collecting?—A. Yes, I think there are other plants, but I am not familiar with those, of a manufacturing nature.

Q. Can you give the committee information as to how many plants are owned by Borden's Limited in the city of Montreal?—A. To my knowledge there are two, the Borden's Farm Products Company Limited, and J. J. Joubert, Limitée.

Q. You could not tell the committee the number of dairy distributing plants owned by Borden's Limited in the Dominion of Canada?—A. No, I think not. I could file that with the committee if you like.

Q. The number of plants in the Dominion of Canada?—A. Distributing milk, do you mean?

Q. No, I would like to have the number of plants including the creameries of Borden's Limited engaged in the dairy industry in the Dominion of Canada.

The CHAIRMAN: Why not have him segregate them to show those that are engaged in distribution, and all these others.

By Mr. Tummon:

Q. Yes, I meant that: those that are engaged in cheese making, the manufacture of condensed milk and the others—to segregate them?—A. I think I can give them all now, Mr. Tummon, those that handle fluid milk and ice cream.

FLUID MILK AND ICE CREAM

Borden's Farm Products Co., Ltd., Montreal; J. J. Joubert, Ltée., Montreal; City Dairy Co., Ltd., Toronto; Drimilk Co., Ltd., Toronto; Ottawa Dairy, Limited, Ottawa; Hamilton Pure Milk Dairies, Ltd., Hamilton; Caulfield's Dairy, Ltd., Toronto; Borden's Niagara Dairies, Ltd., Niagara Falls; Walkerside Dairy, Ltd., Walkerville; Ballantyne-Windsor City Dairies, Ltd., Windsor; Laurentian Dairy, Limited, Ottawa.

MANUFACTURING

The Borden Co., Ltd., Toronto; Hall's Limited, Toronto; Chateau Cheese Co., Ottawa; Moyneur Co-Operative Creamery, Ottawa.

Q. That just covers Ontario and Montreal?—A. My understanding is, sir, that that covers the whole Dominion.

Q. Does that include any collecting plants or small creameries that the company have purchased?—A. No, it does not, Toronto have some plants that are collecting that are not included there.

Q. Those were independent operating plants before they were taken over by the Borden company and were made subsidiary to these other plants?—A. Well, I would not say that they were all acquired that way, sir, I think some of them were subsidiaries before the main plant was taken over.

By Mr. Boyes:

Q. Might I ask, while you may be naming a Borden company of Toronto that would include, I would presume, a good many plants in western Ontario. For instance, there is the Borden's Milk Company of Ingersoll, and other different companies—one at Tillsonburg, one at Norwich, one at Belmont and different places. Have you a record of those?—A. Borden's Limited would include that, I haven't got the list of these separate plants. Perhaps it would be better to submit it.

Q. I wish that you would submit it, Mr. Jones, as we desire the fullest information on that line. There is a persistent rumour that in one year alone the Borden's company of New York purchased forty-nine plants in the Dominion of Canada. I would like to know just whether or not that is a fact?—A. I will submit the complete list in detail.

Q. I want it definitely cleared up?—A. Yes.

By Mr. Tummon:

Q. Have you brought with you this morning a financial statement?—A. Yes, sir.

Q. For what year?—A. For 1932.

Q. You will leave that with the clerk of the committee so it will be printed in the evidence?—A. Yes, sir.

Q. Now, that report, Mr. Jones, does it cover the Ottawa Dairy alone or does it include the Laurentian Dairy?—A. This is the combined.

Q. Do you operate these two companies as independent companies, or do you operate them as one company?—A. They both come under my supervision and we economize by, instead of having two waggons on the street as we formerly did under the Borden organization we have been able to effect some economies, all the waggons load up from my plant.

By the Chairman:

Q. Is their business done from the one office?—A. Yes, it is all under my supervision.

By Mr. Tummon:

Q. All the returns come to the one office?—A. Right.

Q. Very well then, that answers the question. Now then, when you are sitting in with the producers and attempting to arrive at the price that the producer will be paid, just how many representatives from your company sit in?—A. Just one.

Q. He represents both the Laurentian dairy and your company?—A. Yes, sir.

By Mr. Pickel:

Q. How long has the Borden's company been operating this Ottawa Dairy?—A. Since January 1, 1928.

Q. Before that it was run by?—A. By the Ottawa Dairy Limited.

Q. The Borden's company bought them out?—A. Yes, sir.

Q. What did they pay?—A. Mr. Chairman, the financial structure and questions of that nature—I am familiar with from an operating point of view, but I can get that information for you. Mr. Thorne, who is at my left here, is prepared to give you any information along that line that you may desire.

The CHAIRMAN: Mr. Thorne is here to answer questions of that kind.

By Mr. Pickel:

Q. You stated when you started your evidence that you had been engaged in the farming and milk distributing business all your life. Which end of it do you find the more profitable?—A. That is a rather difficult question to answer. It depends on the point of view.

Q. Well, take the present point of view from the producer's angle—a man running a dairy and getting about 2 cents a quart for his milk?—A. It would depend on the dairy, and depend on the farmer, and depend on the hired man.

Q. Well, I will put it in another way, Mr. Jones. You keep a dairy in connection with the Ottawa Dairy, a dairy farm?—A. Yes, sir.

Q. If you had to sell that milk from that farm at the price the ordinary producer gets, would that company be farming?—A. Well, that would depend.

Q. It depends on what? I am asking, if you were paid for your milk which you produce, the ordinary rates the farmer gets now, would it be profitable for the company to run that farm?—A. It would not be profitable at present prices.

Q. Who are the officers of the Ottawa Dairy?—A. The officers of the Ottawa Dairy Limited are: President, Hugh Carson, Ottawa; vice-president, W. F. Jones, Ottawa; treasurer, E. L. Noetzel, New York; secretary, W. H. Rebman, New York; assistant secretary-treasurer, B. H. Thorne, Ottawa; assistant treasurer, Geo. Bittner, New York.

Directors.—Hugh Carson, Ottawa; E. H. Conklin, Montreal; P. D. Fox, New York; G. G. Thompson, New York; Benjamin Rothwell, Ottawa; Gordon C. Edwards, Ottawa; A. E. Provost, Ottawa; W. F. Jones, Ottawa; C. H. Labarge, Ottawa.

Q. What is your capitalization?—A. That is another matter about which Mr. Thorne can give you more detailed information. I would prefer, if you don't mind, sir, that Mr. Thorne answer these questions.

Q. All right. How often do your directors meet?—A. Periodically, sometimes once a month and sometimes later, as they are called.

Q. At the call of the chair?—A. Yes.

Q. Are the directors paid for their services?—A. Those directors who are not associated with the company in any capacity are paid.

Q. How much?—A. $20 or $25, it is so long since I got a fee I don't remember.

Mr. THORNE: It is $25 per meeting.

Q. Your drivers are all bonded?—A. Yes, sir.

Q. What are their salaries?—A. They average from $28 to $30 per week.

By the Chairman:

Q. Is that salary, including commission?—A. Everything.

By Mr. Pickel:

Q. Does the statement that you are filing here in regard to the operation of your business include the ice cream business too?—A. Yes, that is in the financial statement.

Q. That is not operated separately?—A. It all comes under my supervision, it is all practically the one company.

Q. Do you purchase cream from the producers also?—A. No, sir.

Q. You produce your own cream?—A. We separate.

Q. Mr. Jones, the milk that you use, that you derive your cream from, is that listed as surplus milk?—A. The milk that we derive our cream from?

Q. You separate the milk for sweet cream?—A. For our sweet cream sales, that is listed as sweet cream purchases.

Q. Sweet cream purchases?—A. Yes.

Q. That is paid for on a butterfat percentage basis?—A. Well, it is a higher rate than the surplus milk.

Q. What is done with your surplus milk?—A. Our surplus milk goes into the manufacture of butter, and some into ice cream.

Q. Can you tell us the cost of your ice cream per gallon?—A. The cost per gallon for ice cream for the year 1932 was $1·1358.

Q. Per gallon, that is cost?—A. Yes.

Q. What is your selling price?—A. Our net selling price was $1·2416.

Q. What did you say was the percentage of your surplus?—A. It was 13·4 per cent.

Q. It was 13·4 per cent surplus?—A. Yes, sir.

Q. And none of that milk is utilized for cream?—A. Not for our sweet cream sales.

Q. Not at all?—A. No, sir.

Q. In the operation of your business which is the more profitable, the cream business or milk?—A. Per unit of value the cream business is showing more profit.

By Mr. Mullins:

Q. In connection with your dairy farm you just produce one class of milk? —A. We have two classes of milk, we have the jersey milk and then we have what we call our nursery milk.

Q. What is that?—A. Nursery milk, testing about 4 per cent.

Q. What breed of cows?—A. Ayrshires.

Q. Ayrshire, that's all right. Do you use jersey as a superior milk?—A. We sell that as jersey milk, some of our customers like jersey milk and we sell it as jersey.

Q. Do you know anything about Caulfield's in Toronto?—A. Not very much, sir.

Q. You don't know what the salaries of the drivers are?—A. No, sir.

Q. And you are paying here?—A. Twenty-eight dollars to thirty dollars a week.

Q. A Caulfield driver told me just yesterday morning that he only got $20. —A. Well, he might have been a man with a light route.

Q. He has been there a long time.—A. He might have been there a long time and continue to be relatively low. Some of our drivers get lower than that, and some more; it is just the average that I gave in the statement.

Q. Which milk do you think best, pasteurized, or milk straight from the cow?—A. Pasteurized, sir.

Q. Pasteurized, why?—A. I think it is safer.

Q. Well, some of us don't agree with you on that.

By Mr. Taylor:

Q. Your company here in Ottawa is a subsidiary of Borden's Limited, in New York, is it not?—A. Borden's Limited of Canada.

Q. They are a subsidiary of Borden's Limited of New York, who is the Canadian representative of Borden's Canadian company limited?—A. If I give you the officers of Borden's Limited, would that answer your question, sir.

Q. Yes.—A. The officers of Borden's Limited, are:—Chairman of the Board, J. W. McConnell, Montreal; president, S. J. Moore, Toronto; vice-president, A. T. Johnston, New York; treasurer, E. L. Noetzel, New York; assistant treasurer, Geo. Bittner, New York; secretary, W. H. Rebman, New York; assistant secretary, T. W. Waibel, New York.

BOARD OF DIRECTORS

The Hon. C. C. Ballantyne, Montreal; Gordon C. Edwards, Esq., Ottawa; P. D. Fox, Esq., New York; Sir Charles Gordon, G.B.E., Montreal; A. T. Johnston, Esq., New York; E. B. Lewis, Esq., New York; J. W. McConnell, Esq., Montreal; A. W. Milburn, Esq., New York; S. J. Moore, Esq., Toronto; Maj. Gen. The Hon. S. C. Mewburn, C.M.G., Hamilton; Britton Osler, Esq., K.C., Toronto; The Hon. Donat Raymond, Montreal; W. D. Strack, Esq., New York; Hiram H. Walker, Esq., Walkerville, Ont.

Q. That is the directorate of Canadian Borden's Limited?—A. Yes, sir.

Q. In receiving instructions from the New York office who would they be communicated to in Canada?—A. Instructions from New York I might say are very very few. The management of the individual companies is left to a large extent to the local management. Now, we have what we call an advisory committee which is composed of the heads of the various operating companies and we meet periodically, and if we have a matter of policy to discuss we do so at this meeting.

By the Chairman:

Q. By the head of the company you mean the president of each company?—A. The active head of the local company.

By Mr. Taylor:

Q. And where would you report to, Mr. Jones, as manager of the Ottawa Dairies here?—A. If I wanted information I would report to the chairman of the advisory committee.

Q. I see, in Montreal?—A. Mr. Conklin happens to be chairman of the advisory committee in the eastern section.

Q. Now, I have received some information I would like to have you verify, and as well to state whether it is correct, Mr. Jones. I have information that there was a telephone instruction came from New York to the Canadian office of Borden's Limited to clean the files of any evidence that might prove damaging in connection with this milk investigation. Now, in fact, the information says that the Canadian representative advised them to do this. Did you receive any information, or any telephone conversation?—A. None whatever, sir.

Q. Who would be the Canadian representative that would receive this information, in your opinion?—A. I have no idea, sir.

Q. You have not?—A. I could not say.

By Mr. Bertrand:

Q. Mr. Jones, you said a moment ago that you operated a farm as well as a dairy?—A. Pardon me, I did not say that I operated a farm.

Q. You said that the company you represent are operating a farm as well as a dairy in Ottawa?—A. Yes, sir.

Q. Have you a financial statement of the operations of that farm?—A. No, not in detail.

Q. Well, would you supply the committee with full information with respect to the cost of operations on that farm?—A. I could file that with the committee.

Q. Give the production of milk, the amount that you are selling as jersey milk or certified milk, and the amount of the production that is sold as nursery milk?—A. Yes, sir.

Q. Also, the price at which you sell this milk to the consumer and your cost of production on the farm; the amount at which you sell that milk to your subsidiary company—or however you carry on transactions between one another—giving all the details so that we can find out what it really cost from the operation standpoint. We want to know what the dairies are paying to the farm operation and also what the dairies are retailing this milk at to the consumer?—A. Yes, sir.

The CHAIRMAN: Mr. Jones said he didn't have it in detail, but he may have some figures which might be of interest to you now if you care to hear them.

By Mr. Bertrand:

Q. Have you got any figures to show that?—A. I am sorry to say that I have not.

Q. I thought so?—A. That is, not dealing with the results of the farm, the detail of the farm operation. I should say that we operate slightly over 800 acres and that we lost $8,871.48.

Q. By selling milk at how much per quart?—A. The nursery milk retails at 13 cents a quart and 7 cents a pint and the jersey at 14 cents a quart and 8 cents a pint.

Q. Is that the price allowed to the credit of the farm?—A. No, sir.

Q. How much of it is allowed to the credit of the farm?—A. We pay the farm the association price for milk that we use as nursery and jersey, plus 50 per cent (or one-half) of the difference between the retail selling price of regular milk and the retail selling price of the nursery and jersey.

Q. In other words, can you tell us how much per quart you are paying for certified milk and nursery milk?—A. I can't tell you off-hand, but I will submit that in the figures.

Q. Now, I understand that your firm has a farm of 800 acres?—A. Slightly over, yes.

Q. How many head of cattle have you on it?—A. Approximately 200.

Q. So that you have 800 acres, and 200 head of cattle milking?—A. No, they are not all milking.

Q. How many head of cows milking have you?—A. I will give you that.

Q. And taking all the herds into consideration your loss on operation of that farm last year was $8,000?—A. Nearly $9,000.

Q. Nearly $9,000, or in other words, a loss of $1,000 an acre, or to put it another way a loss of $40 on each head of cattle?—A. I can't say that, because I don't know the number.

Q. And I suppose in arriving at this loss on operation you are giving to the credit of the farm the association price that you are paying in Ottawa?—A. Yes, sir.

Q. And I suppose that you are giving them a certain quantity of surplus milk also?—A. We did for a while, but we are not now.

Q. How much surplus milk was there in 1932?—A. I can't remember that offhand.

Q. Will you supply the committee with that?—A. Yes.

Q. Now, in addition to that, I understand that you take off the spread, and supposing you claim that the milk is costing you about—A. Suppose we are selling milk at ten cents to-day, for our regular milk, and the price of nursery is 13 cents; that is a difference of three cents.

By the Chairman:

Q. In your Jersey?—A. No, sir, Jersey is 14 cents. Now, $1\frac{1}{2}$ cents of that would be paid to the credit of our farm in addition to the regular association price of $1.40.

By Mr. Bertrand:

Q. You said 50 per cent of the spread a moment ago, between the cost price and the selling price?—A. No, 50 per cent between the retail price for regular milk and the retail price for nursery milk.

Q. Nearly 50 per cent of this spread goes to the farm in addition to the association price paid?—A. Yes.

Q. When we have full information on that, I may have other questions on this. There is only one other thing that I might clear up, what is the cost of the can that you supply to the producer—the cost of one can, for instance?—A. Well, when this was made out it was $4,48 for an 8 gallon can.

Q. What is it at the present time?—A. I do no know if that is the present time or not. I think it is approximate. Would you like me to submit it?

Q. Have you got the information with you here?—A. I have not.

Q. If you have not got the information here, we will leave it at that. Now, you said you were charging $7\frac{1}{2}$ cents per trip for those cans to the farmer?—A. Yes.

Q. How many trips will one can make in its lifetime?—A. According to the information I have a can would last approximately five years.

Q. That is how many trips?—A. At 180 trips a year that would amount to 900 trips.

Q. Nine hundred trips at $7\frac{1}{2}$ cents. Consequently, the farmer is paying for the full use of a can and protecting you every way for interest charges and repairing the same and everything?—A. There are no interest charges. We gave that considerable thought and we think that that is a fair charge.

Q. Nine hundred trips for 5 years you said at 180 trips per year at $7\frac{1}{2}$ cents per month.

The CHAIRMAN: Let us get this right. That $7\frac{1}{2}$ cents means $7\frac{1}{2}$ cents per trip or per month, which.

The WITNESS: Per can per month.

Mr. BERTRAND: How many trips per month?

The WITNESS: That would be half the number of days in the month.

Mr. BERTRAND: Well, we will divide that by fifty-two.

The CHAIRMAN: It is practically 90 cents per year for the rental of a can.

By Mr. Dupuis:

Q. Have you got a report of the profits the parent company in New York is making?—A. No, sir; there is an annual statement published, but I have not got it with me.

Q. Offhand, you cannot tell. You do not know if the producer receives more for his milk in the United States than here?—A. I could not say.

Q. Could you produce that in your statement to the committee?—A. Just what would you like, sir? The average price paid?

Q. The annual statement of the parent company has been published you say; could you produce that in your statement?—A. I could include a copy of that, yes.

Q. You do not know what the difference between the price in the United States and here is?—A. No, I am sorry I could not give you that information.

By Mr. Bertrand:

Q. What is homogenized milk?—A. Milk that is passed through a homogenizer. The milk passes through a valve under pressure and the fat globules are broken up so evenly that they do not rise to the top as cream.

Q. Will the fact of homogenizing the milk give a bigger volume of milk?—A. I do not think so; not perceptibly in any case.

Q. Will it thicken it?—A. It does give it a slightly more vacuous appearance.

Q. For how much do you sell the homogenized milk?—A. The same price as the other.

Q. What is the object of selling homogenized milk?—A. Some people prefer it. The cream does not rise to the top of the bottle and every member of the household gets their fair share of the fat content of the milk.

Q. Do they believe there is more butterfat because it looks to be thicker?—A. I am not in a position to state that.

Q. We were told by one of the former witnesses giving evidence here that 10 per cent of homogenized cream, for instance, would look somewhat like 30 per cent of unhomogenized cream?—A. I heard him make that statement. I cannot agree with that.

Q. You do not agree?—A. No; but it does make it look richer.

Q. You agree that homogenizing milk makes it look thicker?—A. I would not say—

By Mr. Dupuis:

Q. Does it look like whipped cream?—A. No. I wish it did; but it tastes smoother.

By Mr. Bertrand:

Q. Are you prepared to say that it really does not increase the volume?

Mr. Dupuis: He said yes.

Mr. Bertrand: No, he did not.

The Witness: I have never done any work on it, and I have never seen any work done on it. I am not in a position to state.

By Mr. Bertrand:

Q. Are you selling the milk?—A. Yes.

Q. Who homogenizes it?—A. We do ourselves.

Q. I cannot understand—you said you have never seen this operation?—A. I did not say I had never seen this operation; I said I had never experimented to say if it does increase it. If it does, it is very slight, and the only way to know is actually to try it out. I am very doubtful—I am giving you my personal opinion—if it does increase the volume of the milk. On the other hand, I do not know; it might or it might not.

By the Chairman:

Q. Mr. Jones, when cream is homogenized will the test give an accurate result as to the butterfat content?—A. Not so well as when it is unhomogenized.

By Mr. Bertrand:

Q. Will it give it approximately?—A. I would prefer to have the mojonnier test on it—the chemical analysis.

By the Chairman:

Q. You can determine the exact butterfat of homogenized milk?—A. It is possible by other means with the ordinary mojonnier chemical tester.

By Mr. Bertrand:

Q. Mr. Jones, how did you start in the business to sell homogenized milk; at whose request? This question may seem somewhat peculiar, but may I explain that we are getting to the place where the farmer does not know whether this milk is sold to the consumer or not. There are so many classes that we do not know where we are at. I happen to be one of them?—A. To my knowledge the first time homogenized milk was sold commercially was in Ottawa by the Laurentian Dairy some few years ago. It had been sold several years ago—I forget the name of the company—the same name, the Laurentian, in the Maritimes and different parts of Canada, but that was a sterilized product, it was not the ordinary pasteurized homogenized milk that is being placed on the market to-day; but the first time I knew of it in Canada or in any other country was by the Laurentian Diary right here in Ottawa.

Q. Then apparently you are not aware that anybody asked for it?—A. I was not with the company when they started. I do not know whether the originators of that company were requested to produce it or not.

Q. It was a new product for a drawing card—homogenized milk?—A. I suppose it would be for sales argument.

Q. How much of that homogenized milk are you selling at the present time or in 1932?—A. I could not give you the exact figures, but I should think it would be approximately 20 to 25 per cent.

Q. Twenty-five per cent?—A. I would think 20 to 25 per cent, although I have not got the figures.

Q. Twenty-five per cent of the sales in 1932 would be homogenized milk? —A. Yes. I could give you those figures.

By Mr. Dupuis:

Q. Is it more expensive?—A. It costs slightly more.

Q. Do you sell it for a higher price?—A. No, sir; sell at the same price.

By Mr. Bertrand:

Q. Is this milk pasteurized?—A. Yes.

Q. And homogenized after?—A. No, pasteurized after homogenization.

Q. Well, homogenized and pasteurized?—A. Well, it is quite a point in the market milk business. It is an important point with us.

Q. Is there anything that goes in to help to homogenize that milk? Do you add any foreign product to the milk?—A. Absolutely nothing.

Q. It is only a machinery process?—A. It is just a question of dividing up the fat globules into finer portions.

Q. There are no powders that go in?—A. Absolutely none, sir.

Q. How many companies are selling homogenized milk in Ottawa?—A. I say four—four to my knowledge.

By Mr. Bouchard:

Q. Is it not a better food for the children?—A. There has been some work done on it, but not very extensive, and the work that has been done so far would indicate that the curd content of the milk is made slightly more digestible; but I do not think there has been sufficient research work done on it to really come out and make that statement.

Q. When it was first introduced the contention was that it was more digestible for the children because the fat globules being broken into pieces; well, that was one contention?—A. Theoretically, I think that is true.

Q. And the other was that it was homogenized with milk which is absolutely impossible to obtain in ordinary milk, because as soon as the milk keeps still for half an hour it becomes different at the top of the bottle?—A. Yes.

Q. What about the salts in milk; does it bring a better distribution of salt or minerals?—A. Yes, I think it would result in a better distribution of all the constituents of milk. I think it would do that.

Q. Is not pasteurization a partial homogenization?—A. I doubt very much with the present methods of pasteurization if the fat globules would be broken down; they may.

Q. But with the former method?—A. I am not so sure about that. I do not know of any work having been done on that. I would not think that pasteurization would affect the size of the fat globules to any extent.

By the Chairman:

Q. I was going to ask Mr. Jones a question or two. You made the statement in the beginning of your address that you had had considerable experience, Mr. Jones, in actual dairy farming and the manufacturing of dairy products and so on. So I take it that you are an all-around man so far as the dairy industry is concerned. Now, you inserted in your statement extracts from the Grigg report and also some expression of opinion from Mr. W. G. Marritt, the secretary of the Whole Milk Producers' Association. Your object in doing that, I take it, was to suggest that farmers or producers should become better organized?—A. I think it would be in the interests of the dairy industry as a whole, and particularly of the market milk industry, sir, if farmers were better organized.

Q. Have you read the Grigg report?—A. I have not in detail.

Q. You know something of the recommendations which they have made in regard to a central producers' board or a joint milk council for the regulation of the whole dairy industry?—A. I am not very familiar with that, sir.

Q. Would you be agreeable to such a milk council being formed with representatives of the producers' board and representatives of the dairies and a chairman and two other associates such as they have recommended?—A. Sir, I would like to give further thought before expressing my opinion on that.

Q. They have recommended that the appointed members of this organization should have actual control of the prices to the producers, the prices obtained by the distributors, and the spread, and all the factors entering into prices. You would not like to express an opinion on that?—A. No, sir.

Q. I cannot see why you should recommend that the farmers should become better organized unless you are prepared to suggest in what way they could be made better.

Mr. Pickel: Just to condole with each other.

By Mr. Dupuis:

Q. I want to put a question to the witness, but before that I want to know if the report you have just mentioned in regard to organization of the farmers, means that such organization would include the distribution of milk in such centres. If that is so, I would like to ask the witness if it would be more profitable to the farmers if they were so organized that they would sell their own milk in your stead in large centres. If you cannot answer that question, I am going to ask you a straight question; does this industry pay your company?—A. Does it pay to be in the industry?

Q. Yes?—A. Certainly. We could not continue in this business if it did not.

Q. If the farmers were so organized that they could buy your company would that pay them?—A. If they could operate it efficiently.

Q. I suppose that a man like you at the head office—

Mr. Mullins: Get the right man; they would get him.

By Mr. Dupuis:

Q. Have you the valuation of the Borden company—the Canadian Borden company?—A. The capitalization?

Q. Yes?—A. No, I have not, Mr. Thorne will answer any questions on the capital structure.

Q. You have not got the valuation of the company?—A. I could not give it to you.

Q. You do not know. If the farmers were so organized that they could come to your office and ask you how much you want for your company, you could not answer now?—A. No, sir.

By the Chairman:

Q. I would like to continue my questions. Is not this the fact, Mr. Jones, that there is more milk available for fluid milk purposes than can be disposed of in the cities?—A. That was the fact last summer, yes.

Q. Is it possible in your opinion for the farmers to organize to protect themselves so far as prices go against a surplus of that character?—A. I do not know how far they can go with their organization.

Q. You made the statement here that they should organize. Now, why should they organize further if it is impossible for them to carry their ideas into effect?—A. If the farmers had a 100 per cent membership in their association, or somewhere near that, they would certainly have much better control over the—

Q. Would that not involve other classes of milk as well as fluid milk—milk that had to be disposed of for butter and cheese purposes?—A. Well, that might be a factor.

Q. You see, the Grigg report advocates the pooling of all this milk in reality, some of it to be sold for fluid milk purposes and some of it be sold for butterfat purposes and cheese, along with other ways of disposing of it, and the prices realized to be pooled on an even basis among all the farmers?—A. For the whole Dominion?

Q. No. This is in Great Britain. Would you advocate some similar system here in Canada?—A. I hardly think it would be workable in Canada.

By Mr. McGillis:

Q. What would be your objections to it not being workable?—A. Well, if you were to have a common price for all the milk I know very well that the producers who have been used to shipping their milk to the market milk market would certainly be very much dissatisfied at getting the reduced value of their milk.

By the Chairman:

Q. The reason I am asking these questions, Mr. Jones, is because I believe you are a practical man and no doubt have given this some study, and this committee are anxious to get ideas from anybody and everybody as to the best way to handle this whole milk problem, and I thought you might have real concrete proposal to make to it. You would not care to hazard any opinion?—A. No, not at the moment.

By Mr. Dupuis:

Q. Mr. Jones, let us suppose that the farmers are so organized, 100 per cent membership or in the neighbourhood of that, and they say, "well, we are losing by that surplus of milk which the distributors charge against us;" suppose they are so organized that they go to the distributors like your company and say, "we want you to tell us the average quantity of milk you need day by day

with the percentage of overhead," so that the farmers could retain the balance of that surplus of milk and make butter and cheese in their own country factories; could you tell that? Would you be able to tell that to the organized farmers?—A. We could estimate fairly well what our requirements are.

Q. Oh, yes, you could. Well, I am glad; because I have seen witnesses that said they were not able to?—A. You could not hit it to the exact pound or hundred pounds, but you can estimate.

Q. You could tell, for instance, in a city like Ottawa or Montreal what quantity of milk you need for to-morrow morning, let us say?—A. Yes. We could do that.

Q. With the percentage over?—A. Yes.

By Mr. Wilson:

Q. You referred to the Ontario Milk Producers' Association and you referred to Mr. Marritt, the secretary. I do not think you mentioned Mr. Clarke, the president. Perhaps, you remember an article which they signed and published in the Ontario Milk Producers' Association which said—I could not give you the exact words—but something along these lines, "it is all right for the farmer to produce milk at a loss because he gets the benefit of a steady market." Now, would you subscribe to that? I asked that because he said he thought the association of farmers was a proper thing. Now, this is the Milk Producers' Association of Ontario, and they published that over a signed article by Mr. Clarke. Mr. Senn, the chairman, might give you the exact words.

Mr. PICKEL: Mr. Jones did subscribe to that, because they are losing $9,000 a year on their own farm.

By Mr. Wilson:

Q. I am coming to that. It is called "A Message to Milk Shippers":—

> Producers generally are backing up the association in very gratifying fashion. Shippers in some of the most disorganized districts heretofore, are co-operating with the association both financially and otherwise, in a way that should prove an example to producers who have derived substantial benefits from organization work in the past. There will always be those who look for the benefits of a strong organization without paying the cost of such benefits. A reliable market, a steady price, even if it is below the cost of production, is something well worth while. All producers share alike in these benefits and should pay their share.

Now, that is an article in the Ontario Milk Producer of January-February, 1933, signed by E. H. Clarke, president and W. G. Marritt, the secretary, to whom you referred when you spoke about the farmers having strong associations. Now, according to your evidence you are losing money on your own farm—your dairy farm?—A. Yes.

Q. Now, is it good advice to give to the milk producer that "a reliable market, a steady price even if it is below the cost of production, is something well worth while. All producers share alike in these benefits and should pay their share." How long could you continue to stand up and run your business if you only had the farm to get your profits from?—A. He has a peculiar way of expressing himself in that article.

Q. That is a signed article?—A. On the other hand, it is a matter of degree or relativity. They might be producing milk at a loss and even so with that market they might be getting more than they would if they sold their milk through other channels. It is the world's markets that determine the price, not just one specific situation.

Q. You admit yourself that you are making loss on your farm—a well conducted farm no doubt with everything supplied—perhaps much better than the average farmer. Now, how long can the farmers of Ontario last with the price of milk that the milk dairy companies are paying to-day?—A. Are any of them making money?—A. The farmers to-day?

Q. Yes, the dairy farmers?—A. Well, they are not making money.

Q. Are they making any money? You say you are not making it on your own well conducted farm?—A. That was for 1932. Those are not the figures for this year.

Q. How about this year; is it any better?—A. This year is better; and that is exactly what I was going to explain a moment ago. The reason it was so bad in 1932 was because of the situation to which I referred in my paper in Ottawa during the summer months. I pointed out the various factors that broke down the price and resulted in a low price. If you study the tables I presented, during the summer months the prices in Ottawa were relatively extremely low compared with former years which naturally reduced the income of our farm and every other farmer, and they certainly could not continue under those conditions.

Q. Of course, you have not come to the summer months of this year yet?—A. No. That is something we are not looking forward to, sir; and we are bending every effort to try and avoid a repetition in this year. As the Milk Producers' Association will probably suggest to you, we have both been giving that a lot of consideration and spent a lot of time on it.

Q. I asked you a straight question. Do you think the farmer is getting enough for his milk to-day?—A. Based on world market or cost of production?

Q. Based on cost of production to the average farmer in the province of Ontario?—A. No, sir; I do not think he is.

Q. Would you agree with the idea that it would be advisable if we had a milk control board to regulate the price paid to the producer and also to regulate the spread and the amount that the consumer should pay?—A. I have had no experience—

Q. What would be your opinion? Don't you think the producer of milk would benefit by such a board?—A. I have had no experience with these kind of boards. The only one I know of is the one that was appointed in Winnipeg, and I do not know how well it has worked. I have received reports that it has not worked any too well.

The CHAIRMAN: From whose standpoint?

WITNESS: I cannot base an opinion on something I do not know.

By Mr. Wilson:

Q. But you do admit that the farmer is not getting enough money for his milk?—A. Yes.

Q. And it would not be inadvisable if it is within the power of this committee—which it may not be because the province of Quebec has set up a board who, I know, are going to regulate the price, and the state of New York have done so—but the question is this, whether a public utility such as milk is—which is a public necessity anyway should be considered. I think the members of this committee are trying to see that the producer should get at least enough for his milk that would keep him on the farm instead of driving him off the farm?—A. Yes.

Q. You admit yourself your company could not exist if it had to exist on the profits you derive from dairy farming?—A. On the same conditions that were in existence last year, 1932.

Q. Never mind about that.—A. Exactly, it is 1932 I gave you the figures for.

By Mr. McGillis:

Q. How many years have you been operating this farm?—A. I cannot say; I have been associated with the company between four and five years.

Q. Was it an 800 acre farm all this time?—A. No; I think they have added to it from time to time. This was all before my time.

Q. In the years that you have been with it, has it been profitable?—A. Well, last year was the worst year. Prior years—

Mr. SPOTTON: Answer the question.

The WITNESS: What was the question?

By Mr. McGillis:

Q. I want to know the years that it has been profitably operating since 1925. What did the company make on it during the last four or five years in regard to profits, say since 1930, before conditions got as bad as they are now?—A. I am sorry sir, the reason I cannot say is not because I do not want to, but I will submit figures to the committee—I cannot just say. This year is better than last year. The previous year, I think we showed a slight loss the previous year, the year before that I cannot remember.

Q. Would you submit that?—A. I will, sir.

Q. Say for three or four years?—A. For the last five years.

By Mr. Tummon:

Q. Mr. Jones, just a question or two I overlooked. In the pasteurization of milk to what temperature Fahrenheit is the milk brought?—A. 144 degrees for 30 minutes, sir.

Q. When it is being pasteurized it is pasteurized under cover?—A. Yes. We pasteurize our milk in three heaters. It goes through a machine, through tubes, around which is circulated hot water to bring the temperature up. From there it goes to an automatic set of holding tanks and held there for 30 minutes, and then it goes from there to the cooler, and to the fillers and cappers.

Q. Can you say at what point Fahrenheit evaporation begins, we will say?

Mr. WILSON: It starts from zero.

By Mr. Tummon:

Q. Say, if it starts too rapidly?—A. No, I cannot answer that question.

Q. I do not imagine there is much evaporation?—A. I do not think there is; I do not think evaporation is very much.

The CHAIRMAN: Now Mr. Tummon, it is one o'clock; do you not think we had better adjourn now to meet again at half past three?

Mr. TUMMON: Yes.

Mr. SPOTTON: This witness will return?

The CHAIRMAN: Yes.

The Committee adjourned at 1.10 p.m. to meet again at 3.30 p.m.

AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The CHAIRMAN: When we closed at one o'clock the committee had not completed cross-examining Mr. Jones, but I understand that some of the members of the committee are anxious to be here while Mr. Thorne is on the stand, and with the consent of the committee, we shall call Mr. Thorne now, because those members to whom I refer want to get away shortly.

BENJAMIN HARRISON THORNE, called and sworn.

By the Chairman:

Q. What is your occupation?—A. Assistant Secretary-Treasurer, Ottawa Dairy Limited.

Q. Have you any statement to make?—A. No, sir.

By Mr. Bowman:

Q. Mr. Thorne, would you mind telling me when the Ottawa Dairy Limited was incorporated?—A. 1900.

Q. Was it at that time a subsidiary of the Borden Company?—A. No.

Q. When did it so become?—A. In January, January 1st, 1928.

Q. Was there any change in the capital structure of the company from 1900 down to the present time?—A. I believe there was, but I have not the breakdown of that. I did not go back prior to 1928. I have it from that time on.

Q. You have it from the 1st of January, 1928? Will you kindly tell me what the capital set up was at that time, January 1st, 1928?—A. $1,865,700 in issued stock.

Q. What kind of stock, Mr. Thorne?—A. $800,000 in common shares, 3,000—

Q. No par value?—A. $50 par; 3,600 in first preference 7 per cent cumulative stock, $50 par, and $1,062,100 in second preference 7 per cent $50 par stock.

Q. One million?—A. $1,062,100.

Q. What?—A. Second preference cumulative $50 par stock.

Q. Seven per cent?—A. Seven per cent.

Q. Unless I got your first figure incorrectly, that would not make up the total capital set up that you gave me.—A $1,865,700.

Q. Then you gave $800,000?—A. Yes.

Q. $50 par common.—A. Yes.

Q. 360,000?—A. No, 3,600.

Q. That would make the total. That stock was issued?—A. Yes.

Q. For what value at that time? Was it issued at that time? Do you know what the set up was, that is, in comparison with the set up previous to that?—A. When the Ottawa Dairy transferred over to the present Borden's Limited of Canada, there was no change at the moment in their capital stock, but in January or February, some time later on, after the first of the year, the first and second preference shares were all retired, dollar for dollar.

Q. What had they amounted to previous to that?—A. $1,065,700.

Q. That is the amount of the old preference shares was exactly the same as the first and second preference shares at present in existence?—A. Well, as of January first when the Ottawa Dairy sold out.

By the Chairman:

Q. What year, Mr. Thorne?—A. January, 1928. They merely redeemed the first and second preferences that were outstanding December 31, 1927.

By Mr. Bowman:

Q. Well now, how much?—A. $1,065,700.

Q. That is the same amount which is now outstanding?—A. No, that was all redeemed.

Q. It is redeemed?—A. It is all redeemed, during the first part of 1928.

Q. Then I possibly misunderstood you. You say as of January first, 1928 the figures that you just gave a moment ago represents the common and preference shares outstanding at that time?—A. On January first, yes.

Q. 1928. That was after the new set up?—A. That was before the new set up.

Q. Before the new set up?—A. Yes.

Q. Now, tell me what took place?—A. The first and second preference were redeemed some time after the first of January, 1928, to the extent of the entire amount that was outstanding on the first day of January, $1,065,700.

Q. These were redeemed and paid out?—A. These were redeemed and paid out.

Q. What was the new set up?—A. There was no change made until March 19, 1929, when—

Q. Just a moment now. Am I to understand this: that the first and second preferred, which you have given us the details of, amounting to $1,065,700 were redeemed in cash?—A. Yes.

Q. And that there was no stock issued to take the place of those first and second preference shares?—A. No.

Q. Consequently between January first 1928, and the date which you mentioned in 1929 there was outstanding only 800,000 common stock of the par value of $50?—A. That is right.

Q. What change took place in 1929?—A. March 19, there were 22,000 common shares issued of a par value of $50.

By the Chairman:

Q. 22,000?—A. 22,000 of the par value of $50, amounting to $1,100,000.

Q. These were preference shares?—A. These were common shares. They were issued in settlement of a loan made by Borden's Farm Products Limited, of Montreal.

By Mr. Bowman:

Q. That is the loan which had been made or obtained for the purpose of taking up the first and second preference shares?—A. Yes, that is right.

Q. Were there any further changes made in the capital set up?—A. In December, 1931, December 18, 1931, there were 6,300 shares of common stock cancelled, which represented Ottawa Dairy's investment in Cornwall Dairy Products Limited, and those were—

Q. Just a moment now. You will have to go a little slow because I have not had the advantage of seeing those figures. You say 63,000?—A. 6,300 common shares of the par value of $50, or $315,000, were cancelled.

Q. They were cancelled?—A. They were cancelled.

Q. That is of the $1,900,000 of common stock which up to that time was outstanding?—A. Yes.

Q. Now, you said something about Cornwall Dairy Limited.—A. That represented the investment which Ottawa Dairy Limited had in Cornwall Dairy Products Limited, of Cornwall, Ontario.

Q. Yes?—A. And they were turned over to Borden's Limited, which is the parent company in the Canadian group.

Q. It then became a separate entity?—A. Yes.

Q. Leaving in the Ottawa Dairy Limited, $1,900,000 less 315,000?—A. That is right,

Q. What was the next step?—A. In the same month of December, 1931, the par value of the remaining shares of common stock amounting to 31,700 were changed to $100 par value resulting in a remainder of 15,850 common stock shares of $100 par value.

Q. It did not change the capital structure any except as to the par value of the shares?—A. That is all.

Q. 1,585,000. At that time there would be outstanding then, 15,850 shares of the par value of $100?—A. That is right.

Q. What is the next step?—A. On December 29, 1931—

Q. What is the date again?—A. December 29, 1931, the assets and liabilities of the Laurentian Dairy were assumed, and 1,500 shares of a par value of $100 were issued in payment therefor.

By Mr. Pickel:

Q. How many?—A. 1,500.

By the Chairman:

Q. Extra shares?—A. Yes.

By Mr. Bowman:

Q. That is, the owners of the Laurentian Dairy accepted $150,000 in common stock of the Ottawa Dairy Limited in payment of the Laurentian Dairy?—A. Yes, that is right, which in turn passed to Borden's Limited.

Q. Which in turn passed to Borden's Limited?—A. Yes.

Q. Yes?—A. That brings us down to December 31, 1932, with an outstanding of 17,350 shares of a par value of $100 common stock valued at $1,735,000.

Q. What is the next step?—A. That is all.

Q. That is all; then I might summarize the situation by saying this, that the capital structure of the company from 1900 down to the present time, in so far as the Ottawa Dairy Limited is concerned, virtually remained the same?—A. Yes.

Q. With these minor changes, that is, Cornwall Dairy was taken out?—A. Yes.

Q. That 315,000, and Laurentian Dairy was added at 150,000?—A. That is right.

Q. This stock is just common stock in the company?—A. That is right.

Q. What is the correct incorporated name of the parent company?—A. Borden's Limited, Canada.

Q. Borden's Limited of Canada. Their head office is at Toronto?—A. At Toronto. They have a place of business in Montreal.

Q. And they exercise control over the different subsidiaries in Canada?—A. Yes.

Q. Have you a record of the dividends which have been paid on this stock, Mr. Thorne?—A. Ottawa Dairy, do you mean?

Q. Yes, the Ottawa Dairy.—A. Well, just since 1928; in redeeming the first and second preference in January of 1928, or February, whichever month it was, there was paid $19,247.05 which represented the one or two month's accrual in 1928 on first and second preference shares. Since then there have been no dividends paid.

Q. That is the preference shares; the full amount of the capital of the preference shares, plus accumulated interest was paid out in cash?—A. Yes.

Q. And you say there have been no dividends at all since 1928?—A. No dividends paid by the Ottawa Dairy.

Q. How is this stock held, how is the 17,350 shares held?—A. Outside of the qualifying shares for the Board of Directors, the remainder is held by Borden's Limited.

Q. Now, just of what interest, in a financial way, is the parent company to the subsidiary; that is, what contributions in the way of administration costs or so forth, does the subsidiary company pay to the parent company?—A. They pay a certain pro ratio of fees and director's salaries and wages, and one thing and another.

Q. Would you mind giving me just the details of that, since 1928 down?—A. I have not that; only for the year 1932.

Q. Would you mind giving me for 1932?—A. $5,318.70.

Q. The amount that you have just given, $5,318, for what services is that amount paid to the parent company?—A. Well, that represented the expense of maintaining the two offices, one in Toronto and one in Montreal, plus directors' fees, and presumably covered any good will which the Ottawa Dairy might derive from that company through its Board of Directors.

Q. And is that the only amount in any way whatsoever which is paid by the Ottawa Dairy Limited to the parent company?—A. That is the only money.

Q. During 1932?—A. That is all.

Q. What does your profit and loss account for 1932 show?—A. Profit of $93,961.36.

By the Chairman:

Q. Is that net profit?—A. That is net income, after interest received and income tax and a few other odds and ends.

Q. Does that include depreciation?—A. Including depreciation, yes.

By Mr. Bowman:

Q. That is for the year 1932?—A. That is right.

Q. For the year 1931, what would be the corresponding figure?—A. I have not that with me.

Q. Can you give me it approximately, Mr. Thorne?—A. No, I would not like to give it. It is much less than 1931 was, of course.

Q. You mean 1932 is less than 1931?—A. Yes.

Q. So that 1931 would be a more substantial amount than what you have given there, $93,961?—A. Yes.

Q. And 1930?—A. It would be larger still.

Q. It would be larger still?—A. Yes.

Q. That is, the profits in those years were greater than at the present time?—A. Yes.

Q. And in 1928, would you say that that would be still larger?—A. I would say so, yes.

Q. You will produce to the committee particulars of the profits during those years, will you, Mr. Thorne?—A. Yes.

Q. I presume your year ends with the calendar year?—A. December 31, yes.

Q. Now, take the year 1932, Mr. Thorne; what in that year, was the amount which was contributed by the subsidiaries to the parent company?—A. $5,318.

Q. No, 1932. Did I say 1932?—A. Yes.

Q. I am sorry, I meant 1931.—A. I have not that figure.

Q. Have you the figures for 1930?—A. No. Borden's Limited were not incorporated until January of 1931.

Q. Well, there would be a parent company prior to Borden's Limited; there would be some parent company.—A. There might have been. I would not be quite sure on that.

Q. The reason I asked you that was that I understood from the history of the capital structure which you gave here, that it was on January 1, 1928, that the Ottawa Dairy Limited became a subsidiary of Borden's.—A. I should have said the present Borden's Limited.

Q. Of the present Borden's Limited?—A. Because they were not incorporated until 1931.

Q. But prior to that they had been a subsidiary of the other Borden's, of another Boarden company?—A. Yes.

Q. Perhaps under a different name?—A. Yes.

Q. Now, the company has apparently been doing fairly well, I should judge, from the figures which you have given to us as the net profit. I suppose that would be a fair statement to make, would it?—A. Well, it would all depend on what you call a fair profit.

Q. As secretary treasurer of the company, what would you say?—A. Well, I would say that the last few years have been rather lean years.

Q. That is the last year?—A. Yes.

Q. And the other years were fair years?—A. Fair years, yes.

Q. What is done with these profits that you have referred to?—A. Merely allowed to accumulate in surplus.

Q. They are simply allowed to accumulate in the surplus?—A. Yes.

Q. Are they set up in the surplus account?—A. Yes.

Q. Have you got the particulars of the present surplus account?—A. Surplus, December 31, 1932, $1,070,843.03.

Q. So that after all, the mere statement that the company does not pay dividends, does not mean that the company is not operating at a profit?—A. Oh, no.

Q. As a matter of fact, the fact that they do not pay dividends really does not indicate anything with respect to the financial position of the company? —A. Merely means that the profits were at the control or disposal of the company.

Q. Whenever they liked to distribute them?—A. Yes.

Q. This amount which you have given to us, $1,070,843.03 is surplus which has accumulated over how many years?—A. That would be, I would say, since 1900.

Q. Are you in a position to say certainly as to that, Mr. Thorne?—A. Well, as of January 1, 1928, when the company was acquired by Borden's Limited, there was a certain amount of surplus came over with it at that time.

Q. What was the surplus at that time?—A. $325,081.67.

Q. Then subtracting the amount of the previous surplus, Mr. Thorne, from $1,070,843.03, the surplus which is outstanding or had accumulated on January 1, 1928, we would have—

The CHAIRMAN: How much?

By Mr. Bowman:

Q. We would have $745,761.36 as the surplus which has accumulated during the years 1928, 1929, 1930, 1931 and 1932?—A. That is correct.

Q. Speaking as a man familiar with the business conducted by the Ottawa Dairy Company Limited, you would not say that that was bad business, would you?—A. Not in the early years, no.

Q. Take it as a whole, the fact that during five years, the company had been able to build up a cash surplus amounting to three-quarters of a million dollars on a capitalization of $1,735,000, that would not indicate in the ordinary course of events, that the company was in a bad way, by any means?—A. No, I would not say so, not in the early years.

Q. I am taking the whole period as an average, that is an average on five years from 1928 down to 1932.—A. Yes. Bear in mind there was only $93,000 last year.

Q. Quite so. Then if it was only $93,000 last year, some year previous it was considerably more than $93,000.—A. That is so.

Q. As a matter of fact, during this period of years your company have been able to set up within a very few dollars of $150,000 a year to surplus?—A. On an average.

Q. Yes, on an average.—A. Yes.

Q. In other words, the figure on the capital investment— —A. I have that worked out, Mr. Bowman, if you would like it.

Q. Yes, would you mind giving it?—A. 3·34 per cent.

Q. 3·34 per cent?—A. For 1932.

Q. For 1932; but for the whole period—have you got that worked out, Mr. Thorne, for the whole period?—A. No.

Q. I can give it to you very roughly. It amounts to almost nine per cent, does it not? Would you mind giving me just a rough estimate yourself, so that I will get it on the record correctly?—A. I don't get nine per cent.

Q. You get between eight and nine; is that not correct?—A. Approximately.

Q. Eight per cent would be $138,800, and nine per cent would be $156,150, and the yearly average would be $149,000 odd. In other words it would be very close to $8\frac{1}{2}$ per cent?—A. Approximately.

Mr. Spotton: Did the witness not say that they paid a dividend in 1928?

Mr. Bowman: No, no.

The Witness: Through the retirement of the first and second preference.

Mr. Bowman: All that was paid in 1928, as I understood from the witness, was the accumulated interest on the preference shares, which carried seven per cent.

Mr. Spotton: Yes.

Mr. Bowman: But not any further dividend than that.

By Mr. Bowman:

Q. Now, this amount that has been set up in the reserve, which you say for the five years has amounted to approximately three-quarters of a million dollars on a capital investment of $1,735,000, has been set up after allowing for depreciation?—A. Yes.

Q. And write-offs of different kinds?—A. Yes.

The Chairman: Might I suggest just there, Mr. Bowman, that I believe this company has built an entirely new plant. I wonder if the cost of the plant came out of their profits as well?

By Mr. Bowman:

Q. Would you mind giving the Chairman that answer.—A. That plant was erected or renovated there before 1928, not since.

The Chairman: I beg your pardon. I understood it was before.

By Mr. Bowman:

Q. Well, say it is prior to 1928, if the plant was renovated it apparently has been taken out of profits, has it not?—A. Yes. I might add at that point, Mr. Bowman, that Cornwall Dairy Products Limited buildings were erected during 1928 to 1930.

Q. So far as the capital structure of the company is concerned, when they were sold they disappeared from the picture?—A. Yes.

Q. Yes. I don't want to confuse the main view that we have of the capital structure of this particular company. Have you, in addition to the reserves which are really reserves set up from profits—have you any other reserves set up?—A. Reserve for fire insurance.

Q. For fire insurance; you carry your own insurance?—A. Yes.

Q. I suppose the reserve for that would be what the company would figure to be a reasonable amount?—A. Yes; cost less than to purchase premiums.

Q. That roughly amounts to what?—A. $7,612.43.

Q. That is continually added to each year?—A. Yes.

Q. That does not seem to me at all out of the way. What other reserve have you set up? Have you a reserve for bad debts?—A. Yes.

Q. What, at the end of 1932, was the reserve set up for bad debts?—A. $12,859.56.

Q. That is your total reserve carried forward to the end of 1932?—A. That is right.

Q. What, roughly speaking, do you set up annually for reserve for bad debts?—A. Provision at the rate of three-quarters of one per cent on all sales.

Q. Figuring on that basis, what would be the reserve set up for bad debts last year?—A. In 1932?

Q. Yes?—A. Approximately $3,630.

Q. I think, Mr. Chairman, that that probably would give us a source of comparison with some of the reserves that we had set up lately by some other companies in respect to bad debts.

The CHAIRMAN: Not later than yesterday.

WITNESS: Just a moment, Mr. Bowman, I gave you the wrong figure there. I should have said $11,550.

Mr. BOWMAN: And that is a total of how much?

The WITNESS: $1,462,000.

The CHAIRMAN: That may reflect on the prosperity of Ottawa in comparison with Montreal.

By Mr. Bowman:

Q. The total, in any event, is substantially less as a set up than we have had from certain other companies. Now, what reserve did you set up for depreciation? What is the reserve you have for depreciation at the end of 1932?—A. $921,693.05 as at December 31, 1932.

Q. Now, if I got your figure right, it was $921,693.05.—A. That was the balance in the reserve account December 31, 1932.

Q. For depreciation?—A. For depreciation.

Q. And what years did that cover?—A. That covers the accumulated amounts to date, from 1928 and prior.

Q. What was your reserve for depreciation for 1928, so we may have the comparison for the last five years?—A. I have not that figure.

Q. You can let us have that?—A. Yes.

Q. Have you any other reserves in addition to the ones I have mentioned?—A. No, that would be all.

Q. So that your reserves at the present time, I am just speaking about the two larger reserves—I do not include in my calculations reserve for insurance, or reserve for bad debts, which I think you approximate in the neighbourhood of $19,000 to $20,000.—A. You mean plus fire insurance?

Q. Plus fire insurance.—A. Yes.

Q. Taking these two into consideration, your reserve for depreciation, $921,693.05, plus your reserve set up from profits $745,761.36, at the present time approximates the capital of the company; that is, $1,735,000.—A. Practically, yes.

Q. One of the members of the committee has drawn my attention to the fact that I took into consideration only the reserves for the last five years, may I correct the record in that respect? The reserve set up out of profits is, as you have told us, $1,070,843.03.—A. Yes.

Q. The reserve for depreciation is $921,693.05?—A. That is right.

Q. So that the reserve for depreciation and for "taken up out of profits," more than equals the capital structure of the company?—A. By about $200,000.

Q. A little better than $200,000, is that not correct? In fact about $265,000?

The CHAIRMAN: Mr. Bowman, I would like to know on what basis that depreciation reserve was made?

By Mr. Bowman:

Q. I am trying to get at it, Mr. Chairman, so that we can all follow it with as little trouble as we can.—A. About $263,000, roughly that.

Q. Referring to a question which I gave a moment ago, were these figures before us the fact that the company has paid no dividends really means nothing insofar as one considering the position of the company from the financial viewpoint is concerned.—A. If you want to look at it in that light, yes.

Mr. SPOTTON: Was this stock sold locally, Mr. Bowman?

Mr. BOWMAN: That was explained by Mr. Thorne, in 1928 the company, that is the holding company, took over the whole capital stock of the company outside of the necessary shares that might be needed to qualify directors as such.

By Mr. Bowman:

Q. I am correct, am I not?—A. Yes.

Q. The Parent company acquired all the stock?—A. Yes.

Q. You are quite certain, Mr. Thorne, I don't question your statement at all, I just want to make sure, that you have told us of all the different reserve accounts which the company have?—A. Yes.

Q. During these years of 1928 to 1932, has the Ottawa Dairy Company Limited paid over any substantial sums of money to the parent company?—A. No, sir.

Q. You are quite sure of that?—A. Yes.

Q. That is, the accumulated profits have been allowed to remain in the Ottawa Dairy Company Limited without being distributed?—A. Yes, under their control.

Q. Under their control, outside of the charge for administration—acting as directors, and head offices expenses, and so forth?—A. Yes.

Q. Which, as you say, amounts to approximately $5,000 odd for 1932?—A. Yes.

Q. And I think you promised to let us have similar items for the years 1928 to 1932?—A. Yes.

Q. With respect to depreciation, on what basis do the company figure depreciation?—A. Mr. Jones gave that in his testimony this morning, I will repeat it if you like.

Q. If you wouldn't mind.—A. Building $2\frac{1}{4}$ per cent, to $3\frac{1}{4}$ per cent.

Q. Where is that information given?—A. In the second sheet.

Q. And on machinery and equipment?—A. Six per cent.

Q. Milk—I presume that means machinery and equipment which handles milk?—A. The pasteurizing plant.

Q. Yes, that is 6 per cent, is that correct?—A. That is right.

Q. Does your company figure that 6 per cent is a reasonable charge and will meet ordinary wear and tear, and so forth, and losses on machinery and equipment in the pasteurizing plant?—A. Well, they do on the average; it might not for one particular company, but it would for the group as a whole.

Q. That is what you figure?—A. Yes.

Q. From your experience in this connection, would you or would you not consider a smiliar charge of 15 per cent high?—A. I would consider it high.

Q. Would you consider it excessive in the ordinary course of events, from the experience of your group to date?—A. I would say yes.

Q. Machinery and equipment ice cream is 10 per cent; that is machinery and equipment which is used for the purpose of manufacturing ice cream?—A. Yes.

Q. The experience of your companies Mr. Thorne, would be that depreciation on this class of machinery is higher than it is on machinery handling milk,

pasteurizing milk and so forth, to the tune of four per cent?—A. Yes, for the reason that during the ice cream season in the summer time, it may work 24 hours a day.

Q. Yes. I understand that the rest of the figures which are set out in this paragraph were placed on the record this morning?—A. Yes, sir.

By the Chairman:

Q. How about that $3 a month charge on horses?—A. The $3 may be a little high, Mr. Chairman, but the Ottawa Dairy has always gone in for dapple grey horses which cost more than the ordinary run of horses, so we have to build up a little more to write them off.

Q. That is an average of $35 a year depreciation?—A. The average life of a horse is six years.

Q. Do they value the horse after depreciation, I think that is considered as well?—A. Yes, $25 maybe.

By Mr. Bowman:

Q. In any event, the total depreciation would not run into a very large amount at the rate of $3 per horse. How many horses have you?—A. One hundred and twenty-four.

Q. Well, it might run to a very substantial sum; what does it run into?—A. The year 1932 we had $6,370.50.

Q. And this $6,000 odd that you have just mentioned is included in the total reserve depreciation account which amounts to $921,000 odd?—A. Yes.

Q. Wagons and sleighs I see you figure at 10 per cent; automobiles at 25, 20 and 12½; that is 25 for the first year?—A. No, 25 per cent for passenger vehicles, light vehicles; 12½ reserve for a little heavier class of vehicle; and whatever the other is, 20 per cent, that is for another class of vehicle—lighter or a little heavier.

Q. Yes, I suppose you keep your plant up to what you consider 100 per cent?—A. Yes.

Q. And your equipment, etc.?—A. Yes.

Q. Since 1928, have there been any substantial repairs to the plant by way of installation of new machinery?—A. Well, there was an entire pasteurizing unit installed about three years ago.

Q. That is written off at the present time practically out of profits I presume?—A. We write off old equipment values, and set up new ones under capital.

Q. But the net result is that there is this $921,000 still in the depreciation reserve?—A. Yes.

By the Chairman:

Q. These replacements come from the depreciation account do they, are they deducted?—A. When that article of equipment is worn out it is removed from the depreciation account. When it is replaced it is set up entirely by itself, it becomes a new value in the assets account.

By Mr. Bowman:

Q. But the net balance to the credit of the depreciation account is the net balance after these other amounts are taken out?—A. Yes.

Q. In the first page here, which I think was placed before the committee very fully this morning, Mr. Thorne, but which I am just having an opportunity to look at, there is an item for salaries and wages amounting to $76,529.21; what portion of that approximately would be for salaries of staff?—A. Well, I haven't that separation, Mr. Bowman.

Q. I suppose you could let us know?—A. We can get that for the year 1932.

Q. You will let us have that for 1932 will you, and can you tell us approximately what would be for ordinary wages and what would be for staff?—A. Well, they are usually paid on a daily basis, maybe $3 per day.

Q. That is the wage scale?—A. Yes, and $3.50.

Q. And it is what proportion of the total amount?—A. I can't tell you that now.

Q. Of this charge that is made for salaries and wages is there any amount which is paid to an officer of the parent company for supervision, or any other duties performed for the subsidiary company, the Ottawa Dairy Company Ltd.?—A. No, not unless it is in connection with the installation of new machinery or equipment, requiring someone to come in from another city and supervise.

Q. Yes, take for instance your particular office—you are Secretary-Treasurer of the Ottawa Dairy Co. Ltd.?—A. Yes.

Q. Do you occupy any similar office in connection with any of the others of this group of companies?—A. I am regional accountant for Borden's Limited, Canada.

Q. You are regional accountant; you cover how many companies?—A. That covers eleven fluid milk companies, milk and ice cream companies, and four manufacturing companies.

Q. That is, fifteen in all?—A. Yes.

Q. How is your salary apportioned among these fifteen different companies; or is it apportioned?—A. It is not apportioned that way.

Q. How do you split it up with respect to these other companies?—A. The other companies don't receive any portion of my salary.

Q. Would they pay a portion of your salary?—A. No.

Q. Your salary then is not included in this item of $76,529.21?—A. No.

Q. Your salary—you are an official of the parent company, are paid by them?—A. To be frank with you, the Ottawa Dairy absorbs 75 per cent of my salary, and 25 per cent is absorbed by the Borden's Company in New York.

Q. I see, so that the other 14 companies in the group don't pay anything toward your salary at all?—A. That is right.

Q. There is a large item of expense there, $36,431; have you the details of that?—A. Only in so far as they are given on this particular company.

Q. This is just a more or less general description?—A. Yes, and the same is true of all the other classes.

Q. Have you the figures, Mr. Thorne, which would show us how the depreciation of $35,965 is made up? I presume it would be the depreciation on the different buildings, the plant and equipment, figured on a percentage basis which you told us about a few minutes ago?—A. Yes, figured on a square foot of floor space. Where a building is occupied by both the selling and delivery end and the pasteurizing plant, we measure the floor space and divide the depreciation.

Q. Now, this $35,965.49 which is set up for December 1932 is carried forward to the general purpose account, and eventually forms part of the $921,000, or whatever the amount may be?—A. Well, it is shown as a deduction from our property and plant assets, reducing the value of the assets.

Q. Reducing the value of the assets?—A. Yes.

Q. How does that get into your general depreciation account?—A. It is merely a charge account, it shows the total depreciation.

Q. There is a large amount there for commission $117,664; I presume that would be commissions in making sales?—A. To the route salesmen, yes.

Q. You do your business on a commission basis?—A. Yes.

Q. That was probably brought up by Mr. Tummon this morning, possibly Mr. Tummon who is more familiar with that end of it will get the details of that later. There is another item of expense $48,004.93, what is included in that?—

A. Well, that is also on page 2, Mr. Bowman, if you want me to read it there under selling expenses.

Q. That is stationery, postage, etc.?—A. That is right.

Q. Will you let us have the details of how that is taken up?—A. Well, the way we run our accounting, we have this general classification of charge to one standard order number. That would mean we would have to review the twelve months' disbursements to get it out; we would have to accumulate them all in order to get it, go over every one of these copies. It would mean a tremendous job but it can be done,—it would take quite a while.

Q. Do you know what was referred to in the item down the sheet that covers this item $48,004.39; they are all expense items, but which one is it?—A. Under selling and delivery, the second one.

Q. That is, stationery, postage, telegraph and telephone, travelling expenses, waste on routes, stable expense, horseshoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenance buildings and structures, machinery and equipment, harness and wagons, painting, and miscellaneous. Don't you carry separate accounts so that these are carried forward month by month?—A. No, each month stands on its own feet.

Q. That is what I say, each month stands on its own feet; you do keep a monthly record?—A. We charge that all to one standard order number. Now, to get all the items concerning what would be charged to that standing order number we would have to review the entire sheaf of copies for the year.

Q. Well, so far as I personally am concerned as one of the members of the committee it does not give me very much information just to see a general item of $48,000 for expense. If you could give us the information without too much trouble I think the committee would appreciate it.—A. I did pick out the cost of horse-shoeing as one item because I knew someone who was interested in that. That is the only one I have got in detail.

Q. The committee can decide just what information they want with respect to that item. Now, you have another item of the kind "selling expense $146,667.64?"—A. That is only ice cream selling expense and this is grouped in one total because it happens to be the way we carry our statement, and it, in turn, is broken down in the same caption as the other item of selling expense.

Q. Have you any details?—A. No more than the other milk expenses. We could get them out. It would be laborious, however.

Q. You will appreciate the fact that many of the members of the committee are not so familiar with the business as you are and would not be able to get much general information from a simple item of $146,667.64. Could you give us the details as to that?—A. We could break it down in a more or less rough manner if that would suffice.

Q. Will you do that?—A. Yes.

Q. With regard to the other item $48,004.93, would you give us the same information with regard to that? A little further down you have "bottle, box and can losses for the year 1932 at $28,358.53." Have you that amount broken up so that the committee will have the details?—A. Mr. Jones, I think, covered that this morning.

Q. I am sorry if he has.

The CHAIRMAN: Only the bottle end of it.

The WITNESS: That represents the value of bottles, boxes and cans which were lost during the year placed on an inventory at the end of the month.

Q. Probably you could give us details, or perhaps Mr. Jones can, as to how that item is broken up into the three groups, bottle, box and can losses. "Interest received $34,000." I presume that that is interest received from the investments of the various funds which are carried in this reserve account?—A. Plus bank accounts.

Q. That interest goes into the profit and loss account as a credit?—A. Yes.

Q. Roughly speaking, what are the investments of the Ottawa Dairy Limited in bonds, debentures and so forth at the end of 1932?—A. $491,932.74.

Q. Does that represent their total investments outside of plant, equipment and so forth?—A. It represents their marketable securities.

Q. That is their marketable securities?—A. Yes.

Q. Now, may I come back to a question which I have perhaps discussed before— I know I have discussed it before—that is the connection between the subsidiary which is the Ottawa Dairy Limited and the parent company. You say that during these years from 1928 down to 1932 no substantial sum of money in any way shape or form has been transferred or turned over to the parent company, saving an amount which you gave us for 1932 of $5,000 odd for part of the administrative costs?—A. Yes.

Q. That is correct?—A. That is correct. Whatever is there is within the control of the Ottawa Dairy Limited.

Q. And is carried in Ottawa Dairy Limited— —A. On the books; yes.

By the Chairman:

Q. Mr. Thorne, at the end of 1928 you tell me that you have a surplus of profits which were brought into the present company of $325,000 odd?—A. Yes.

Q. That was paid for in what way; by the issuing of common stock?—A. You mean—?

Q. That came in with the other assets of the Ottawa Dairy into the new organization?—A. Yes.

Q. How was it paid for?—A. I haven't the actual details of how that was paid for—you mean conversion of the business?

Q. Yes. You cannot tell how that was paid for?—A. I have not the actual figures with me.

Q. I am not altogether satisfied that you should give us your cumulative profits over the last thirty years, also your cumulative depreciated reserve, and you are not in a position to tell us how the capital set-up of the company has expanded from 1900 to 1928?—A. I just simply did not have those figures, that is all. I presumed you would only want to know from 1928 on.

Q. It affects the capital structure of the company and the amount of capital investment you are expected to pay dividends on some day, does it not?—A. As far as surplus is concerned, yes.

By Mr. Spotton:

Q. You have the books of the Ottawa Dairy company from their inception, of course, in your office?—A. Well, we have them for recent years. I do not know where the 1900 books are.

Q. What do you mean by recent years; how far back?—A. Say 1915, 1916 or somewhere like that.

Q. But have you not the records of the Ottawa Dairy Limited company, from the time of its incorporation in 1900 until now? You would have those in your office would you not?—A. It may be that they are somewhere. I would not swear.

Q. You just put your feet under the table in 1928 and carried on. There is nobody who would think of destroying any books since the incorporation of the company, is there?—A. They rewrite the general ledger every few years, you know.

Q. Now, Mr. Bowman and you were speaking of the parent company. By that you meant your head office in Toronto?—A. Yes.

Q. Where is your head office in Toronto located?—A. Spadina Crescent.

Q. In the City Dairy buildings?—A. Yes.

Q. That is your really head office for Canada?—A. Communications.

Q. Who is the manager in the city dairy?—A. My assistant is there, A. T. Pierson.

Q. Your assistant?—A. Yes.

Q. Are you the manager?—A. I am the regional accountant.

Q. It seems to be difficult to find out just where your head office is or what it is. The witness this morning I understood said that this was a separate entity here, the Ottawa Dairy, and you had not anything to do with any other company excepting this here, the Laurentian, and a couple around, yet, when the Montreal subsidiaries were heard one of them said that they reported to Ottawa?—A. That is because as regional accountant I gather all the financial statements each month.

Q. What is your head office in Canada? You spoke of that as your parent company. We will not talk of the grand-parent in New York; that is where the head of the octupus is—in New York—it has its tentacles reaching out and that is on Spadina Crescent. Then, of course, the claws go out from there. However, that is your head office there, a separate office from the City Dairy entirely?—A. Yes.

Q. Who is your general manager for Canada?—A. That authority vests in the board of directors.

Q. Well, the board of directors—if you have a head office here you surely have a general manager in your head office or somebody?—A. The board of directors, the executive staff—those are the sole managers.

Q. Your directors this morning are all the way from Ypsilanti to Kalamazoo, and they are not running the head office. Who is in the head office in Toronto? Who is general manager or secretary-treasurer? Who do you report to? Who does the Ottawa Dairy report to?—A. The list of executives of Borden's Limited were given you this morning, Mr. Spotton.

Q. I would be glad to have that again?—A. I believe I gave my copy to the clerk.

Q. I think the witness this morning said you had two offices, one in Toronto and one in Montreal. I would like to get the personnel of the head office of the Canadian Borden's Limited, Mr. Chairman. Where is that head office, and what is the personnel of that head office?—A. It is in the minutes of your meetings so far.

Q. The manager at the head office and the assistant manager and the secretary treasurer?—A. As far as I know, Mr. Spotton, there is no manager or assistant manager. The board of directors and the staff executive are the sole managers.

Q. Where do they meet?—A. They meet in Montreal.

Q. And the head office is in Toronto?—A. Yes.

Q. What have you? Just an office girl in Toronto or a caretaker?—A. No, a human being.

Q. I may be dumb, but I cannot understand a parent company with all these dairies, all subsidiaries, and you have a head office for Canada situated in Toronto. I would think it would be a fairly large sized office to take care of the business. Do you report everything to New York?—A. Usually, if there is anything of importance.

Q. No, but what I mean is do you send in a monthly statement as to how you are doing?—A. Yes.

Q. Who comes around here to give you instructions at the Ottawa Dairy?—A. Do you mean from the parent company or any parent company?

Q. Yes, the grandparent in New York?—A. If we are installing any particular pasteurizing equipment some expert will come along probably and give us the benefit of his advice.

Q. Now, the parent company in New York will have control of your reserve here, will it not?—A. Yes; through Borden's Limited.

Q. They have control of your company here and your surplus; they could lift it to-morrow if they wanted to and take it to New York?—A. If they desired.

Q. It would appear to me as though each one of these dairies is reporting to New York and managed from New York; and that your head office here, so far as Ontario is concerned, is largely a myth?—A. I would not say that.

Q. Now, take the case of the Metropolitan Life Insurance Company, they do business here and they have a head office in Canada to which all the other offices report, and that is the headquarters for Canada. Now, you have an office in Toronto but you have no general manager or secretary-treasurer. You do not report there monthly; you do not receive any instructions from there; so I cannot understand what kind of a head office it is?—A. According to the testimony there is a list of the officers and directors of Borden's Limited which includes a secretary-treasurer. Unfortunately, I gave my copy to the clerk this morning or I could read them off.

Q. With regard to those directors that were read this morning, many are in New York, some in Hamilton, some in Ottawa and some in Toronto. I would like to know the personnel of this head office of Borden's Limited in Canada because it seems we will have to go there to get some information.—A. Would you like the executive first—the board?

Q. Yes. Supposing I went into the head office next Saturday and asked for some information who would I see there?—A. You would probably see Mr. Pearson.

Q. He is your assistant?—A. My assistant.

Q. I would be a great deal better to stay and see you if you would interview me. If he is assistant manager you must be manager?—A. No, I am only regional accountant.

Q. Are you the directing head? Does New York look to you and other regional accountants? Do they just deal directly with you for your region?—A. Yes. As far as financial matters go.

Q. As far as financial matters go you are really the head office?—A. As far as financial matters go.

Q. You are the head office?—A. As regional accountant.

Q. And that takes in what you said before. You are the head office so far as financial matters go, and the so-called head office in Toronto is not functioning?—A. As far as financial matters relating to the accounting department go, yes.

Q. For your region?—A. Yes.

Q. There is really no head office. You are handling the financial end, which is the important thing?—A. No, the head office is in Toronto, the City Dairy Building, Spadina Crescent.

Q. Supposing you were called to Toronto, who would call you in? Is there anybody there who is your superior? Every man has a boss or chief. Who is your chief? Who do you report to?—A. I am at the beck and call of the board of directors of Borden's Limited.

Q. Who hired you? Who is the man that put his feet under the table and looked you over?—A. Do you mean 27 years ago?

Q. Who kept you hired or promoted you from time to time?—A. I started with the Borden's company 27 years ago.

Q. In the United States?—A. In the United States.

Q. Where?—A. 110 Hudson street, New York city.

Q. And they sent you to Canada?—A. In 1928.

Q. Right to Ottawa?—A. Yes.

Q. You came from the head office of New York to Ottawa?—A. At the then head office.

Q. You are the head office now. Under your hat is the head office. Wherever you are, you are the head office, financially speaking here. The financial organization is under your hat, where Lanagan carried his post office?—A. As far as accounting matters go.

Q. You said in financial matters?—A. Yes, in financial matters.

Q. If they wanted to move a half-million from one of these accounts to-morrow they would write to you to send them a cheque?—A. To take care of the details.

Q. You are the head office?

By Mr. Bowman:

Q. By permission of the committee, Mr. Chairman, there is probably one phase of the discussion of the financial capital structure of the company that I overlooked. Have you a memorandum, Mr. Thorne, that would show us the appraisals that have been placed upon the property of the company; that is, their real property and other personal property; their buildings and real estate, their machinery and so forth?—A. There was some made prior to 1928, but I have not the figures with me.

Q. Do you not keep that appraisal up to date, at the end of each year?—A. These results given you as far as values go are the result of those appraisals.

Q. What values? I have not had any figures with respect to values yet.—A. I can give you this.

Q. Would you mind giving it to the committee?—A. The property and plant cost values comprising real estate, machinery, delivery machinery, mechanical cabinets and furniture as at December 31, 1932, $2,420,440.32. That is the cost value before depreciation?

Q. That is the cost value before depreciation?—A. $2,420,440.30.

Q. That is the original cost less depreciation?—A. That is the cost values brought down to date, after any appraisals that may have taken place in prior years, prior to 1925.

Q. That is the total?—A. That is the total.

Q. Covering the real estate, buildings, equipment of dairy, and so forth, of the whole plant?—A. What is called property and plant, yes.

By the Chairman:

Q. Of the Ottawa Dairy?—A. Of the Ottawa Dairy.

Q. And Laurentian?—A. And Laurentian.

By Mr. Bowman:

Q. The Laurentian Dairy is not in those figures. The Laurentian Dairy is out of the picture altogether now, it has been sold?—A. The Laurentian Dairy? The Cornwall Dairy is sold, yes.

Q. The Laurentian is included. Quite so. In other words, it represents the value placed upon those incidentals that you have just enumerated in the company about which we are speaking?—A. Yes.

Q. The Ottawa Dairy, naturally, is in the Laurentian?—A. That is right.

Q. Just to clear up a point there. I have been taking it for granted that the statement you have given me here includes the whole company?—A. That is right.

Q. Includes the Laurentian as a part of the Ottawa Dairy Limited?—A. Yes.

By Mr. Pickel:

Q. These officials and directors of the company, Mr. Thorne, that you have given me, are officials of Borden's of Canada?—A. You refer to Borden's Limited?

Q. Borden's Limited.—A. Yes, that is right.

Q. Each subsidiary has not a board of directors?—A. Yes, each one operates under its own board.

Q. Each one operates independently?—A. Yes.

Q. Would you give me your officials in Ottawa again?

The CHAIRMAN: Of the Ottawa Dairy?

Mr. PICKEL: Yes.

The WITNESS: President, Hugh Carson; vice-president, W. F. Jones; treasurer, E. L. Noetzel; secretary, W. H. Rebman; assistant secretary-treasurer, E. H. Thorne, assistant treasurer, George Bittner.

By Mr. Pickel:

Q. They are all residents of Ottawa?—A. Mr. Noetzel, Mr. Rebman and Mr. Bittner reside in New York.

Q. You spoke about salaries, Mr. Thorne, would you just tell the committee what your salary is?—A. $4,250.50.

Q. Mr. Jones's?—A. $6,300.

Q. How much?—A. $6,300.

Q. What other salaries have you in connection with the plant at Ottawa?—A. You mean executive salaries?

Q. Yes.—A. Mr. Carson, $5,625.

Q. That is to whom?—A. Mr. Carson.

Q. He is the secretary?—A. President.

Q. Now, this accumulated surplus of nearly $2,000,000, what is to be done with that? What is the object in allowing that to lie there?—A. It was to be allowed to remain to be used in the business.

Q. That is approximately more than the value of your plant, or as much?—A. You mean, taking in all the calculations that Mr. Bowman referred to.

Q. What about income tax?—A. That is paid each year.

Q. What about the income on the surplus; how is that arranged?—A. What do you mean, "income on surplus"?

Q. On what you have invested, and so forth?—A. You mean interest received on investments?

Q. Yes; is that included in your income?—A. Yes.

Q. Your income return?—A. Yes, that is included.

By Mr. Spotton:

Q. Mr. Thorne, when you said your salary was $4,000 and something, you meant the Canadian end?—A. Yes.

Q. As you have one of your assistants getting more than you were; that would not be fair, would it?—A. What do you mean, my assistant?

Q. You are the general manager for Canada?—A. No.

Q. The company in New York looked to you, and you cannot get away from it. Now, no kidding, tell us who is the general manager, if you are not, for Canada. I presume the head office in New York, when it looks across the boundary line, looks to some one man as their representative, their super man. If they do not look to you—if you are not really the general manager, if not nominally, virtually you are the general manager—to whom do they look?—A. I never said I was general manager.

Q. You do not know who it is?—A. I said the board of directors, the executive of Borden's, Limited.

Q. There is no one of them that is manager?—A. No, sir.

Q. But you have a man that New York looks to?—A. I am the regional accountant.

Q. What is the object in not having a real head office not having one in Ontario and Quebec, and no real head office. Is there any interprovincial method of escape? What is the object in not having a head office?—A. Well, the interests of economy.

Q. I do not think it was economy not to have a good set up, not to have a real head office to manage all this. New York is really the head office?—A. Borden's Limited, so far as we are concerned, Borden's Limited are operating.

Q. We will just leave that, and when you sleep over it you will likely be back here again. Are there any of the directors of the Ottawa Dairy Limited before it was acquired by Borden's directors of the Ottawa Dairy now? Are they advisers?—A. Yes.

Q. Who are they?—A. Mr. Rothwell.

Q. He was a director of the old company?—A. Director and still chairman. Mr. Carson—

Q. Who?—A. Is still chairman of the board.

Q. Rothwell?—A. Benjamin Rothwell, Hugh Carson, Gordon C. Edwards, A. E. Prevost.

Q. That is right. Mr. Labarge?—A. Labarge, yes.

Q. He is still one?—A. Still a director.

Q. Because we will be asking about those. You have built up a set up of almost $2,000,000 of reserves in five years. You have done well since you have come to this country from the Borden company, notwithstanding the parent company have not paid any dividends. You say you cannot go back any farther than 1915 in regard to the Ottawa Dairy Limited.—A. Well, that would be—

Q. If we want to go back any farther to get information we will have to seek it elsewhere?—A. As far as the Ottawa Dairy is concerned.

Q. So far as the records in regard to the Ottawa Dairy Limited are concerned in your office, you have no information? If we want any further information you can only go back to 1915?—A. About that, about 1915.

Q. Because this has been a very profitable concern all along. I have it on pretty good authority that a man who had $1,000 stock in the Ottawa Dairy got as much as $250 a year on it, and that in the Laurentian Dairy, a man who had $15,000 invested, sold out for $85,000. Now, this may not be correct, but I believe it to be correct. We want to get back there. I have got this on very good authority, but you can only go back to 1915 so far as your office is concerned?—A. I would say that offhand, knowing the way records are mislaid.

Q. You will look and see how far you can go back, because we will have information from you, as no doubt we will be calling on others. I should like you to give me a letter of introduction to your head office in Toronto. I am going down to Toronto to-morrow, and my office is just a stone's throw from it. I know quite a few of the fellows down there, and I should like you to give me a letter of introduction to your general manager in your head office in Toronto.

By Mr. Mullins:

Q. Mr. Thorne, may I ask a question; I have got a letter here that has a clause in it in which I am somewhat interested. I would ask if there is any truth in it. You come from New York?—A. Yes.

Q. Originally?—A. Originally.

Q. I will just read you the clause; the other pertains to pasteurization. It reads:

> A few years ago when I was in New York city there was trouble between the milk dealers, someone used to appear on the roads leading into the city and stop and threaten the independent operators and turn many of them back. They also threatened the storekeepers who sold

> the milk of those independent operators. A down-and-out taxi driver was arrested, who was suspected, and although this man appeared to be almost penniless, it was found that he was employed by the big dairies and instead of being penniless he had a slush fund of $500,000 supplied him by a combination of the big dairies. His business was to stop the independent operators at any cost and keep out of jail. This man was arrested fifty-five times in the last five years but never was convicted. This man was the late Larry Fay, killed a few months ago by a bullet from the gun of another racketeer.

The CHAIRMAN: I think you should file that letter, if you are reading from it.

Mr. TUMMON: Is this the letter he was hunting for this morning and could not find, I wonder?

Mr. MULLINS:

> One of the big New York dairies who was accused as being in this racket now owns a chain of large dairies across Canada and our government will do well to see that they do not get too much of a foothold and use some unfair methods in this country.
>
> Milk is a vital necessity of life and there should be allowed full and free competition and the sale of pure milk direct from the cow for those that wish it that way and cannot afford to pay for the frills.
>
> The duty of the government should be to see that the producer be always allowed to sell good, pure milk when and to whom he wishes and also to see that no restraint be offered to a full and abundant supply for use by the general public.

This man signs his name. He was evidently in New York at that time. That is the clause at the end of the letter. Do you know anything about that?—A. Not a thing.

Q. I am just reading the end of the letter. He signs his name here. You can get his name.

Mr. TUMMON: To whom is it addressed?

Mr. MULLINS: It is addressed to the agriculture committee, in my care. This belongs to the Chairman; it is not for me, but it was addressed to me. It is addressed "c/o Col. H. A. Mullins."

The CHAIRMAN: Is that the letter you have been hunting for the last two weeks?

Mr. MULLINS: Yes.

Mr. TUMMON: I am very much interested in that letter being found, because both the Chairman and the Clerk of the Committee accused me of having that letter. Now that it has turned up—

Mr. MULLINS: The clerk has explained that we were looking for the wrong letter. I have two or three letters and this is one. This gentleman comes from Perth. His name is Murphy. If this belongs to the Chairman, I had better leave the letter here, because it refers to a chain of dairies that are getting a hold in Canada.

By Mr. Mullins:

Q. If they are getting any hold in Canada, and anything like that is going on, then in the interest of the farmers of this country, who ought to know it?—A. I think the name of the Borden company is sufficient answer to that.

Mr. THOMPSON: Where is he?

Mr. MULLINS: He is in Ottawa; he might be in the room, for all I know.

Mr. THOMPSON: Mr. Mullins said this man came from Perth. I am pretty well acquainted with all the dairy men in the Perth district, and I know nothing of it; I know this, that his address is given as Ottawa.

Mr. MULLINS: No, he signs it as Perth.

Mr. THOMPSON: No, Ottawa.

The CHAIRMAN: I think we are getting away from the line of discussion. Let us get back to it.

Mr. BOWMAN: I think, Mr. Chairman, apropos of your remarks, that the thanks of this committee are really due to Mr. Thorne for the very able and clear statement which he gave to us.

Some hon. MEMBERS: Hear, hear.

Mr. WILSON: The best statement we have had yet.

By Mr. Bowman:

Q. In connection with the Laurentian Dairy, you said, if I remember correctly, that $150,000 worth of stock of the Ottawa Dairy was issued in payment of the assets of Laurentian Dairy?—A. And liabilities.

Q. And liabilities as well?—A. Yes.

Q. At what time was that deal consummated?—A. December 29, 1931.

Q. Have you any record which would show what was the market value of the Ottawa Dairy stock at that time?—A. The market value—none offered for sale.

Q. None offered for sale?—A. No.

Q. It is not quoted on the market?—A. Not quoted on the market.

Q. Do you know anything with respect to the financial or the capital structure or the capital set-up of the Laurentian Dairy at the time it was turned over by the Ottawa Dairy?—A. That is available. I have not it with me.

Q. You have not that with you?—A. No.

Q. Would you mind filing a little later, when you have time, with the secretary of the committee, the details as to the financial structure of the Laurentian Dairy at the time it was turned over by your dairy, by the Ottawa Dairy?—A. That is in December, 1931?

Q. Yes.—A. Yes.

Q. While there is no market value for Ottawa Dairy Limited because there is no stock available, the market value from the figures which you have given us, would be substantially in excess of $100 par value?—A. Yes.

Q. As a matter of fact, if you just take the surplus plus the capital structure, it would be at least 100 per cent more than the original par value of $100?—A. Yes, practically.

By the Chairman:

Q. Mr. Thorne, the preference stock which was settled for, amounted to $1,065,700 you said?—A. Yes, first and second preference.

Q. And when that was settled for, that constituted the consideration for which Ottawa Dairy passed into the hands of the new company?—A. I have not the figures on that, Mr. Chairman; I have not the consideration.

Mr. BOWMAN: What was your question? I would like to hear it.

The CHAIRMAN: I asked him if the settlement for those preference shares, amounting in all at their par value, to $1,065,700 constituted the consideration for which the one company passed into the hands of the other.

The WITNESS: I could say this, though, that Borden Farm Products Company Limited loaned the Ottawa Dairy $1,100,000 for the redemption of those shares, and Ottawa Dairy paid for that by the issuance of 22,000 common shares for the same amount of money on March 19, 1929. I can answer it that way.

By the Chairman:

Q. What I wanted to get at was this; you had, I understand, a surplus of profits of $325,000 odd at the beginning of 1928 when the company was handed over?—A. Yes.

Q. At the present time I suppose that is the invested and drawing interest?—A. Along with the other items, making up $1,070,000.

Q. And at the time Mr. Bowman was computing the percentage of the profits you have made in the past five years, he was also computing that on this $325,000?—A. Yes, on total surplus.

Mr. BOWMAN: I think that is a very important question that you have asked, Mr. Chairman.

By Mr. Bowman:

Q. What did the Borden Company give for the Ottawa Dairy Limited at the time you took it over in 1928?—A. I will have to prepare that.

Q. You will let us have that?—A. Yes. I have not that with me.

The CHAIRMAN: It affects the whole question.

Mr. BOWMAN: It affects the whole set-up of the company.

The CHAIRMAN: The set-up of the company, and as well the dividend rates that could be paid.

Mr. BOWMAN: Quite so.

By Mr. Pickel:

Q. Can you tell us the capitalization of the parent Borden company?—A. That was issued under letters patent, granted by the Dominion government, for an authorized capital of 500,000 shares having an aggregate value of $25,000,000; just how much was issued I do not know.

Q. Of $25,000,000?—A. Was authorized for Canadian Borden's Limited.

Q. What is the issue in the United States, what is the capital there?—A. I am not familiar with that. We have promised to submit a copy of the financial statement for 1932, which will disclose that.

Q. That would figure out about $65,000,000?

By Mr. Bertrand:

Q. I understand that the Borden Dairies bought the Cornwall Dairy about five years ago?—A. The Ottawa Dairy invested some of its profits in the building and structures which now comprise, or did comprise, Cornwall Dairy Products Limited.

Q. What was the amount invested?—A. $315,000.

Q. That was invested on what date?—A. Well, during the period 1928 up to 1930.

Q. And then that was sold again?—A. That was turned over to Borden's Limited as a holding company.

Q. For what consideration?—A. Stock.

Q. Of what value?—A. There were 6,300 shares of the capital stock of the Ottawa Dairy sold, representing $315,000 and turned over to Borden's Limited. It was merely a transfer of the assets and liabilities of the capital stock from Ottawa Dairy to Borden's Limited.

Q. But you can't say what constituted the value of that payment?—A. That is the value, 6,300 shares at $50 par.

Q. 6,300 shares at $50, which was really worth, according to the statement you made a moment ago, about $100.—A. No, $315,000.

Q. That would be at par value, but they are worth more than par?—A. I didn't say that.

Q. Well, how much?—A. This is in December, 1931, that this transfer was made. The Ottawa Dairy invested $315,000 in the Cornwall Dairy Products Limited, and on December 18, they transferred that whole investment to Borden's Limited, through the cancellation of 6,300 shares of stock of a par value of $50, or $315,000.

Q. Through the cancellation of 6,300 shares?—A. Yes, merely a transfer of assets and liabilities.

Q. You claim that it was pretty much of a book transaction, was it?—A. It merely transferred the investment, that was all.

Q. Will you have any idea, Mr. Thorne, as to what in the general capital structure in the parent company the Ottawa Dairy Limited would be valued at? What have its assets been set at?—A. I don't know that.

Q. You will have to have an official from the head office to give that information?—A. That would have to come from the New York office.

Q. What is the general plan with respect to the parent company insofar as this holding in these other companies are concerned; by that I mean this, you have for the Ottawa Dairy Limited, transferred assets valued at a certain amount of money, and the parent company control the company by holding its stock?—A. Yes.

Q. Now, do they for that stock which they hold, issue certain other stock in the parent company and sell that to the public?—A. No.

Q. What do they do?—A. The Borden Company of New York—

Q. It is the holding company, you state?—A. Yes, the holding company.

Q. Do they not issue stock in the parent company, that is the holding company, to cover the value of the Ottawa Dairy Limited, and its assets?—A. And dispose of it, you mean?

Q. And dispose of it, yes. Borden's shares are quoted on the New York stock exchange, are they not?—A. Yes, but so far as I know they are simply bought and sold between private holders, just the same as any other stock.

Q. The sale of the stock is in the hands of the public to a very large extent, and I was asking you if you could tell us whether these shares are issued upon the value of the assets of the different subsidiary companies?—A. I am not posted as to what they may have issued in recent years. I cannot tell you.

Q. You would not know, for instance, what number of shares the parent company issued to cover the value of their holdings in Ottawa Dairy Limited?—A. I could only refer you to their annual reports, which are issued yearly.

Q. That of course, would not show us anything with respect to subsidiaries?—A. No, merely the total.

By Mr. Spotton:

Q. I think this morning the former witness gave us after consulting you, the names of the different subsidiary Borden concerns in Canada?—A. Yes.

Q. They are located all in Ontario and Quebec?—A. Yes.

Q. Well, are you regional accountant for the whole thing?—A. Yes.

Q. And the parent company in Toronto is capitalized at $25,000,000?—A. Authorized capital, $25,000,000.

Q. When you go fishing, or hunting, and want to find the head office, they don't know where to get it, do they?—A. I wouldn't say that.

Q. We will leave that alone, but I want to get some more information, that is all. Now, would you tell us how much money in gold or other currency or any way whatever—how much money you have shipped to New York since you came over here in 1928 from all these companies?—A. I have already answered that.

Q. Well, even if you have, would you answer it again?—A. Nil.

Q. Nil, but it is on call; it is here on call.—A. Yes.

Q. Thank you Mr. Thorne.

The CHAIRMAN: We will now recall Mr. Jones.

Mr. JONES recalled.

By Mr. Tummon:

Q. Mr. Jones, there are just a few questions I would like to ask before we adjourn. This morning I think you said that your surplus milk, what you call surplus milk, amounted to 13· something, I think—I haven't the figures.—A. 13·4 per cent.

Q. Will you just tell the committee how you arrive at that quantity, what is surplus milk?—A. First of all, we take our requirements for our street sale, we take what our sales are for the month, and we add 5 per cent to that figure, and we say we will purchase that much from our shipper.

By the Chairman:

Q. That is at the association price?—A. That is right, 5 per cent over our sales.

By Mr. Tummon:

Q. That is, 5 per cent of your sales for the previous month?—A. Yes, for the month in which we are dealing.

Q. That is, you base your sales, or the purchases from the producers, on the amount of your street sales during the month preceding, plus 5 per cent?—A. Plus 5 per cent.

Q. That is for the month previous?—A. Well, the cheque is paid for that same month. For instance, if we take the milk we received for the month of March, at the end of March we total our sales and add 5 per cent to that figure, and buy that amount of milk from our producers. Well, then we calculate our requirements for sweet cream; we take our sweet cream sales and add 5 per cent on that, and we find out how much milk we will require for that purpose. We determine what percentage that is of the street sales of milk and we buy that percentage from our farmers, according to the street sales of milk. We add 5 per cent more than we require of milk at sweet cream prices, and the balance of it is paid for at surplus milk prices.

Q. Perhaps I will put it in this way; you do not know at the end of each month practically what your surplus is for the month?—A. Only approximately.

Q. Would it be safe to say that all milk other than what is pasteurized or sold in bottles and sold for sweet cream is surplus milk?—A. I do not get just what you mean, Mr. Tummon.

Q. All your milk sold is not pasteurized?—A. Yes, it is all pasteurized. I am sorry I mislead you this morning on that. All the milk sold is pasteurized.

Q. You do not sell certified milk?—A. No, sir.

Q. All your street sales are pasteurized milk?—A. Yes.

Q. Even the jersey milk and nursery milk?—A. Yes. I heard later that you misunderstood me on that.

Q. Would it be safe to say that all milk that you receive during the month not pasteurized would be surplus milk?—A. Well, all the milk we receive is not pasteurized; it is unpasteurized.

Q. But you pasteurize it before you sell it?—A. Yes.

By Mr. Bouchard:

Q. Do you pasteurize the surplus milk too?—A. The surplus milk may go into butter or ice cream.

Q. It is not pasteurized?

Mr. PICKEL: Or sweet cream.

The WITNESS: No surplus milk goes into sweet cream. That is, for our sweet cream sales. We may make it for our sweet cream before we use it in the ice cream or before we churn, but no surplus milk is put into our sweet cream sales. As a matter of fact, as I said this morning, we purchase, I think the figure was 13·4—I do not remember correctly. The point I wished to bring out was this that we used 66 per cent of the milk which we bought at association prices for our sweet cream sales.

Mr. PICKEL: What is the percentage?

The WITNESS: Sixty-six. 66 per cent of our requirements for sweet cream sales was paid for at the association price.

By Mr. Tummon:

Q. What I am not sure on is exactly how you draw the line between what is association price milk and what is surplus milk?—A. The association price milk is the milk that we use for our sales of fluid milk whether they be retail or wholesale or bulk.

Mr. PICKEL: Or sweet cream.

The WITNESS: No. That is paid for at sweet cream prices.

By Mr. Tummon:

Q. Your association milk, you say, is all that is sold in street trade or sold for street trade?—A. We call it street sales. It includes bulk, wholesale, hospitals, or our sales of milk to the public.

Q. That is all pasteurized?—A. Yes.

Q. Now, would it be safe to say that all milk received by you and not pasteurized would be surplus milk?—A. All milk received by us?

Q. I am trying to get at the dividing line between the association price and the surplus?—A. As a matter of fact, all our milk is pasturized.

Q. I know, for street sales?—A. And also for making butter and ice cream.

Q. But what goes into butter and ice cream, as I understand it, was not paid for at association price?—A. No, sir.

Q. Or part of it was?—A. For our sweet cream sales; 66 per cent of our requirements for sweet cream sales was paid for at association price.

Q. Was it bought as sweet cream?—A. We do not buy any cream. We buy it all in the form of fluid milk.

Q. And separate it yourself?—A. Yes and separate it ourselves.

By the Chairman:

Q. You have three prices for milk; one for association milk, one for sweet cream or for milk that is used for sweet cream and one for surplus?—A. Yes.

By Mr. Tummon:

Q. I wish—I do not want to press you—I wish you could just let the committee understand a little clearer—perhaps I am not making myself clear to you—I would like to know just how you arrive at what amount of the milk you received during the month was surplus. I presume that you attempt to keep your surplus milk down as well as you can?—A. I do not know that I could explain that without repeating myself. This is the way we pay for our milk, and this is the way that this table is made up. On the prices that we pay for that milk we take our sales, our total sales of fluid milk.

Q. Yes. Your total sales of fluid milk. That is all at association price; that is not surplus?—A. We buy 5 per cent more than we require at association price. Then we find out what our requirements of milk are for our sweet cream sales. We total our sweet cream sales and add 5 per cent onto that figure and we buy that much milk at the sweet cream price.

Q. I see.—A. Now, the balance—the difference between that and the total amount of milk received which amounted to 13·4 per cent for the year 1932 was paid for at surplus price.

By Mr. Bouchard:

Q. Are your shippers of milk notified of the quantity that you expect from each of them?—A. No. We take all the milk they have to deliver.

By Mr. Tummon:

Q. The shipper does not know until the end of the month how much surplus milk he had?—A. Not exactly, no. If our sales fluctuate that figure fluctuates.

By Mr. Bouchard:

Q. It is apportioned?—A. It is apportioned pro rata amongst our shippers.

By Mr. Tummon:

Q. No matter whether they are long term shippers or short term shippers?—A. No.

By Mr. Bouchard:

Q. No matter if they are regular shippers it is always the same quantity?—A. Probably the regular shipper would have a higher contract than the others, so he would benefit in that way.

By Mr. Tummon:

Q. Then you have no shippers, if there is a surplus next month, who are not paid a certain amount of surplus?—A. Unless they ship below their contract. If they are below the figure which we determine is their proportion of milk at the association price then they would have no surplus; but that is not likely these days.

By Mr. Bouchard:

Q. They have no control over your surplus milk; you determine that yourselves?—A. The street sales and the sweet cream sales determine the amount of surplus milk.

By Mr. Tummon:

Q. Do you make contracts with your shippers?—A. We have a form of a contract; it is not a written or even a verbal contract; but we have a contract for each shipper. Formerly, prior to 1929, that contract was based on the average of the three months, October, November and December, for all the milk shipped in by our shippers, and the average of those three formed the contract for the coming year, but in 1929 we studied the situation and we found that our receipts of contract milk were getting so high in relation to our sales that we did not follow that procedure beyond 1929, and most of our shippers are still working on the 1929 contract. We made exceptions in some cases. Supposing a man had contagious abortion in his herd in 1929 when that last contract was made, we did not think it was fair to penalize him, and carried him along at that contract; and we have, in some cases, increased a man's contract.

Q. After he had cleaned up that trouble?—A. Yes; when he was cleaned up and producing his normal flow of milk.

Q. Now, Mr. Jones, I presume that you sell to stores too?—A. Yes.

Q. You send out to stores a certain amount of milk. Have you any returns coming back, bottles?—A. Yes, we have some returns from the stores.

Q. What do you do with them?—A. We may separate it and make it into butter.

Q. Is that milk in the surplus milk?—A. Well, that would be covered by the 5 per cent. As a matter of fact, in 1932 we purchased quite a large percentage of milk at association price above our street sales requirement. I included that figure in my statement this morning.

By Mr. Bouchard:

Q. Have you a copy of the invoice to the shippers, a milk bill?—A. I think it was around 17 per cent, Mr. Tummon, I am not sure of that, but you will see it in my statement.

By Mr. Tummon:

Q. Have you with you, or can you furnish me with the average number of shippers you have?—A. 222.

Q. In 1932?—A. 222.

Q. 222 producers that are shipping to you?—A. 220 at the moment.

Q. Would that be a fair average over the years to 1928?—A. No, we had more shippers; we used to have more.

Q. You do not recall how many? What was the average number of shippers you had in 1928?—A. Probably about—this is from memory—I would think about 245.

Q. In 1929?—A. I cannot give you those figures by years; I can submit that.

Q. Will you do that?—A. Yes, certainly.

Q. 1929, 1930, 1931— —A. From 1928 on, the number of shippers.

By Mr. Pickel:

Q. Mr. Jones, what amount of milk do you handle?—A. The figures are given.

Q. Is that already filed?—A. That is already filed, sir.

Q. What is the selling price of milk in Ottawa?—A. In Ottawa to-day?

Q. Yes.—A. Ten cents a quart, six cents a pint, three cents a half pint.

Q. For cream?—A. For cream?

Q. For cream.—A. Ten cents for half a pint of cereal.

Q. What percentage is that?—A. That is ten per cent.

Q. The next grade?—A. Fifteen cents for half a pint of table, testing from 20 to 22 per cent.

Q. The next grade?—A. Twenty cents for half pint for whipping cream, testing from 30 to 32, that is per half pint.

Q. Now, the price for cereal, table and whipping cream are as follows: 20, 30 and 40 for pints, for quarts, 40, 50 and 60.

By Mr. Bouchard:

Q. You do not mind if I ask the witness this question. Have you any agreement with other companies, similar companies, as to the percentage of fat in your cereal cream? I think we were told previously it was 12 per cent. I think Mr. Gamble told us it was 12 per cent in what he called cereal cream. Is there any agreement when we buy cereal cream whereby there is a determined percentage or a minimum, at least, of cream?—A. It is generally understood that cereal cream should contain approximately 10 per cent, not less than 10 per cent. I think it is on the cap, as a matter of fact, the fat content of the bottle.

Q. On the cap?—A. I think it is on the cap.

By Mr. Pickel:

Q. What percentage of your total milk do you separate?—A. Well, I can give you the figures that we separate; I have not got it worked out in percentages.

Q. What are the figures?—A. A total of 2,880,575 pounds.
Q. Is that the total received?—A. That is the total separated.
Q. How much is the total received?—A. Our total milk received 29,533,673.
Q. What is your buying price for milk at the present time, association price?—A. $1.40, f.o.b. farm.
Q. Surplus?—A. Sweet cream? Now, I have not got those figures here. I think last month we paid 24 cents per pound fat.
Q. What would that amount by the hundred, approximately?—A. The average test of our milk for 1932 was 3·565, 24 times that 85·56.
Q. That is for sweet cream?—A. Sweet cream.
Q. Surplus?—A. f.o.b. the farm.

By Mr. Bouchard:

Q. How does it compare with the price of butter fat if it were turned into butter, how many pounds?—A. I do not know what the price of butter is, but I have a comparative set of figures for 1932. I can give you those, if you like, to see the comparison.
Q. Yes.—A. Would you like those?
Q. Yes.

By Mr. Pickel:

Q. What is your price for surplus milk?—A. Twenty-two cents at the present time.
Q. Twenty-two cents?—A. We are speaking of—

By the Chairman:

Q. Per pound butter fat?—A. Yes. I am speaking from memory. I have not those figures here, but I can give you those figures for 1932 on the same fat content of milk, which will amount to 78·43.

By Mr. Pickel:

Q. 78?—A. 78·43.
Q. Now Mr. Jones, why should the farmer be penalized in the sweet cream trade as regards association milk? Do you not make more on the sweet cream business than you do on the whole milk?—A. The profit per unit is greater, but there are certain added costs in the manufacture of sweet cream that we do not have on milk. We have to separate it, for one thing, and the returns on sweet cream are much heavier than they are on milk, as a matter of fact.
Q. What do you mean by returns?—A. Returns from the routes unsold, because the consumption is less, and the drivers have to carry a certain amount to meet their possible requirements, and there is a much greater percentage of sweet cream returns than there is of milk.
Q. Now, Mr. Jones, with regard to 35 per cent cream, what would be your selling price per gallon?—A. 35 per cent cream? We don't handle 35. You mean 32, 30 to 32, our highest test.
Q. Give us 30, then.—A. Thirty?
Mr. BERTRAND: $3.20 a gallon.
The WITNESS: Of course, the price for the half-pint is higher; if you base it on the half-pint, it is higher than it would be on the quart, you know.

By Mr. Pickel:

Q. Give it to us by the quart, then.—A. Whipping cream is 60 cents per quart, and there are four quarts in the gallon. That would be $2.40.
Q. That is $2.40 for a gallon?—A. Yes.

Q. Now, would you just tell the committee what that cost you?—A. I can give you the cost, the average cost of 1932.

Q. All right, give it to us.—A. This is the product cost alone, in our average, half-pints of cream; that is all our different kinds, three different kinds of cream and all the different sizes averaged to half-pints; the cost of the product was 4·92 per half-pint.

Q. Which you sold for 10?—A. No; our average retail selling price for 1932 was 12·45.

Q. That is for 30 per cent?—A. No, that is an average of the three different creams.

Q. Of the whole?—A. Yes, I have it that way. It is easier to give, if you don't mind, sir.

Q. Give me that cost again.—A. 4·92.

Q. That is for a half-pint?—A. Per half-pint.

Q. And your selling price?—A. Our selling price is 12·45.

Q. Do you get any milk from the Maxville Dairy?—A. No, sir.

Q. That goes to Montreal.

Mr. Bertrand: Four point what, what is the price?

Mr. Pickel: 4·92 and 12·45, a spread of eight cents in the cream.

By Mr. Wilson:

Q. I just want to ask one or two questions, Mr. Jones. This morning I think we were told, according to your evidence, that your dairy farm is a losing concern; and you also intimated that you did not think that the farmer was getting enough; and you also thought that the farmer perhaps by organization might accomplish something. I think you will agree that the farmers, as far as organization goes, you can't hold them together. Supposing there is an organization of 200 milk producers. They come in to meet your dairy company. They are represented by one, and you are represented practically by one. Do they ever go away getting what they ask for?—A. I don't think I can ever recall a meeting when they went away receiving what they originally were asking for.

By the Chairman:

Q. Why, because they asked for more than they should?—A. Well, they like to have some leeway to come down.

By Mr. Wilson:

Q. The other representative of your company says you built up a surplus, a very large one. Do you know of a farmer in this section who has built up a surplus?—A. No sir.

Q. By milk?—A. No.

Q. You don't?—A. No, sir.

Q. This committee is really a fact finding committee. We are trying to bring out evidence that might lead perhaps the legislatures to adopt legislation that might so bring about a milk control board where the farmer would perhaps get a fair return for his product. You referred this morning to the Grigg report, an English report, and I just want to read you a clause from it, and ask you what you think about it. This is from the milk report, the English milk report:

> We are satisfied that under the present organization of the industry the farmer is not receiving a reasonable price, when regard is had to the price which the consumer pays, and that it should be possible to improve the farmers' position without forcing the consumer to pay for milk at a higher rate. In order to secure this it is essential that the system of price regulation to be established should give proper weight alike to the pro-

> ducers' and to the consumers' interests and that the middleman section should obtain a fair return on the important services which it renders to both.

Do you think that is a fair statement?—A. Would you mind reading that again, the latter part of it?

Q. Yes, I will. It reads:

> We are satisfied that under the present organization of the industry the farmer is not receiving a reasonable price, when regard is had to the price which the consumer pays, and that it should be possible to improve the farmers' position without forcing the consumer to pay for milk at a higher rate. In order to secure this, it is essential that the system of price regulation to be established should give proper weight alike to the producers' and to the consumers' interests and that the middleman section should obtain a fair return on the important services which it renders to both.

What do you say?—A. I don't know whether that is true of conditions in England or not. I don't know at the moment what their selling price is, nor what their purchase price is.

The CHAIRMAN: Apply it here.

By Mr. Wilson:

Q. Well, apply it here; I am not just referring to England.—A. I was going to follow on with that. I do know that the figures we presented here to-day, that our operations for 1932 would not permit of that, unless some changes, some radical changes are made either in the cost of selling and delivering or in some way; but with conditions the way they are to-day, the loads that our wagons are carrying, and the regular overhead, I do not think that it is possible to continue and decrease the margin between the cost price and the selling price that was established in Ottawa to-day, which you will see by comparison is low, compared with other places.

Q. Why should the milk producer have to take the fall in every case?—A. If you study those figures that I presented this morning, and you see the summer months we passed through last year—

Q. But the farmers passed through them too, you know.—A. I admit that. I realize that. You will see that we absorbed some of that too. I quoted you a figure this morning of around $35,000 that our company alone absorbed, due to the decrease in 1932 as compared with 1931.

Q. But you were still able to build up a reserve?—A. We were still able to show a profit of ·13 cents per quart.

Q. You admit on your farm you lost some $800,000, if I remember correctly?—A. Yes.

Q. On an 800 acre farm?—A. Yes.

Q. You were asked if you thought the farmer was getting a fair price, and you said No. Don't you think if we had a milk control board— —A. A fair price in comparison with the cost of production, not in comparison with world markets.

Q. Don't you think the farm is practically working for nothing? Is there a farmer in this locality that is not? I know in my section, and I come from Wentworth county, a good milk producing county, and I don't know of a farmer who is making money to-day. I do know that there are farm sale bills all over the country, farmers going out of business, but I have never heard of a dairy company that the Bordens had anything to do with going out of business. I have not heard anything of that kind. What I would like to ask is this, to get your opinion, because you were brought up in the business, and as I said, we

are a fact finding committee, we are anxious to do something in order to improve the position of the dairy industry in this country; because I think you will agree with me that if it is not improved, what is going to happen? The farmer cannot continue much longer. He has no reserve like you have to fall back on. He has come through just the same period as you have. You must know, if you have followed what is being done in other places, what New York state has done. They have established a milk control board. You know what has been done in Winnipeg, but I think one of the representatives of the dairies said they didn't like that. Milk is a public necessity, no doubt about it at all. Why it couldn't be handled in the same way as electricity is, as a public utility, and the price fixed to the producer, giving him a fair return which I think he is justly entitled to, is past me. But I do say that possibly this committee is not the place to do it. I think the legislatures should do it; and I understand that the province of Quebec have lead the way, partly at least. Whether they have gone far enough, I am not prepared to say. I would like to ask from you, from your experience, don't you think it would be fair—it is all right to organize the farmers, have your milk producers' associations, let them get better herds and everything else, as far as that is concerned; but if we get better cows and more milk production, then the farmer is in a worse position than he was because he can't dispose of it.

Should there not be some way whereby the Dairy Company and the milk producer could arrive at a satisfactory arrangement and if they can't do that, put it under a milk probe board who will see to it that the price paid the producer is fair and that the consumer buys at a fair price also. I would just like to ask what you think of that, if you think something could be done. I have heard the statement you made about losses, and one thing and another, and they could be remedied to a large extent. There should be some other way, I don't mean by an increase in the price to the consumer, because that should not be necessary; but I do think with present day conditions that the milk producers of this country should get a fair return for the work which they do. What is your opinion on it?—A. Well, I realize that your committee is confronted with a very serious problem, and that is the same thing that is being confronted by all of us, both producers and distributors. If something can be done to improve the position of the farmers I think we will all be better off. I don't think that the farmers to-day are getting sufficient money for their milk in comparison to the cost of their product. To-day we are meeting world markets and world conditions, commodity prices are down, all commodity prices are down, and it is not the farmer's fault, nor is it the fault of the distributor that prices are as low as they are to-day. Now, I don't know just the best way to remedy that. You men have been meeting here for weeks and weeks, we have been thinking over it for months and months—just how to remedy that situation I don't know. Maybe a milk commission is the right thing. I have had no experience whatever with a milk commission; possibly that is the right way to do it.

I certainly think something should be done, although when you have to meet world conditions it is very hard for any set of men to sit around a table and by artificial means do something contrary to the law of supply and demand, which after all, determines prices. We have had meetings before, we have sat in around the table, and we thought we could do something, but it can't be done. A number of the larger and more reputable companies tried to maintain the price last summer, so that the price would not be reduced to the farmer, and what was the result? These factories and creameries, as I pointed out in my statement this morning, came into the market anyway, and eventually we had to come down and meet this competition. Now, if you by artificial means could devise some way or other for controlling the law of supply and demand, I think the committee would have done good work.

The CHAIRMAN: Could we do anything in the way of reducing the cost of distribution? Have you anything to suggest along that line?—A. I spoke of equality a few minutes ago. I think that one of our greatest problems, everything considered to-day, is selling and delivery costs. We have endeavoured to do something along that line with the Laurentian Dairy and the Ottawa Dairy, by having the two products on one wagon and avoid competition. To-day we have a greater number of pasteurization plants, and we have more distributors than we ever had.

The CHAIRMAN: Well Mr. Jones, competition you say is one of the main factors in keeping up the cost of distribution; is that not correct?

The WITNESS: Yes, due to the number of wagons.

By the Chairman:

Q. I suppose that your company in respect to the distribution of the products of your two companies has done quite a bit to wipe out that competition?—A. Well, as I said this morning, I think we have done a great deal by the general effort of the association and the few distributors who are willing to sit in with the association. I think we have accomplished a lot. I think the situation would be far worse to-day if it were not for the contact in that association.

Q. Would you be opposed to any compulsory methods that might be adopted to reduce that competition?—A. Well, I would like to know what the method would be first, and give it some study. I would not like to commit myself on that point, sir.

By Mr. Pickel:

Q. Do you not agree that the loss is always passed on to the farmer, that he is the man who suffers in the end?—A. No, not always.

Q. He is the sufferer.—A. In the figures which I presented this morning, if you will study those figures and watch the months that we were giving there, you will see that during last summer $35,000 was absorbed by the company I represent alone.

Q. That may be, but the surplus has not decreased very much?—A. Well, these figures as I gave them to you are actual figures, from our record.

Q. Your surplus is growing all the time. I just want to make this cream situation clear, your average price for a half pint, paid to the farmer is 4·98?—A. That is the average cost of the milk to us.

Q. And you sell for 12·45?—A. Yes.

Q. Now, that figures out per quart at 20 cents to the farmer and 50 cents to the distributor?—A. Yes.

Q. Or 80 cents per gallon to the farmer and $2 to gallon to you?—A. Yes.

Q. That is quite a profit?—A. We showed a profit in 1932 on all our cream averaged at half price of 2·28 cents. That is before deducting income tax.

Q. You gave the figures of the cost of manufacturing ice cream, how much is that?—A. The total cost of our ice cream in 1932, the average for the year per gallon was $1·2416.

Q. What is your ice cream, is it just cream frozen?—A. That is frozen ice cream.

Q. That must be all cream?—A. That is the total cost of the product.

Q. Do you make your ice cream just out of cream?—A. We make it out of cream.

Q. What is the composition of your ice cream?—A. I can't give you the exact composition of the ice cream, I will submit that.

Q. Approximately, how much cream is there in it?—A. 12 to 14 per cent.

Q. And that costs you?—A. The total cost is the figure I gave you.

Q. They are certainly beating you down in Montreal, for they sell it for $1.20 a gallon.—A. That applies to bricks and everything, that is not only bulk.

Q. A man who makes a specialty of ice cream, tells me that it costs him 37½ cents a gallon.

By Mr. Tummon:

Q. Mr. Jones, I was not in just a moment ago, but in order to make the matter clear, you say that you put the Ottawa Dairy products and the Laurentian Dairy products on the same wagon?—A. Yes, sir.

Q. And the Laurentian Dairy wagon is the Ottawa Dairy wagon?—A. In some cases, yes.

Q. That would mean that the wagons of both companies cover the same ground?—A. That is what we are trying to avoid, we are trying to avoid both wagons being on the same street.

Q. You have not succeeded in eliminating that yet?—A. Which?

Q. Having one wagon with both products on one street?—A. I think we have accomplished a good deal along that line.

Q. That is your ambition, is it; to completely eliminate these wagons of your own two companies having products of both plants and covering the same streets?—A. Yes.

The committee adjourned at 6 o'clock, to meet again Thursday, April 13, at 10.30 a.m.

APPENDIX "B"

OTTAWA DAIRY LIMITED

TABLE No. 1

Month	Purchase price Per cwt. 1931	Purchase price Per cwt. 1932	Purchase price Per quart 1931	Purchase price Per quart 1932	Retail price Per quart 1931	Retail price Per quart 1932	Spread Per quart 1931	Spread Per quart 1932
	$	$					cts.	cts.
January	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
February	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
March	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
April	1 86	1 40	·0479	·0361	·11	·10	6·21	6·39
May	1 86	1 40	·0479	·0361	·11	·10	6·21	6·39
"	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
June 1–12	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
" 13–30	1 80	0 80	·0464	·0206	·11	·08	6·36	5·94
July 1–12	1 80	0 80	·0464	·0206	·11	·08	6·36	5·94
" 13–31	1 80	1 00	·0464	·0258	·11	·08	6 36	5·42
August	1 80	0 95	·0464	·0245	·11	·08	6 36	5·55
September	1 80	0 95	·0464	·0245	·11	·08	6·36	5·55
October 1–16	1 80	1 20	·0464	·0309	·11	·08	6·36	4·91
" 17–31	1 80	1 20	·0464	·0309	·11	·09	6·36	5·91
November	1 80	1 20	·0464	·0309	·11	·09	6·36	5·91
December	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
Total	....	....	....	....	....	....	....	....
Average	1 90	1 22	·04897	·03144	·1125	·0920	6·353	6·064

NOTE.—Purchase price f.o.b. farm for 3·4 per cent milk based on 38·8 quarts per 100 pounds.

TABLE No. 2

—	Pounds of milk purchased		Value and premium per quart		Value per quart		Number of quarts sold		Total value		Value per quart		Spread per quart	
	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932
									$ cts.	$ cts.				
January	2,763,399	2,398,440	2·163	1·463	·0558	·0377	639,769	702,119	75,574 62	68,877 67	·1181	·0981	·0623	·0604
February	2,451,309	2,189,385	2·146	1·451	·0554	·0374	585,888	686,948	69,153 00	66,769 79	·1180	·0975	·0621	·0601
March	2,711,430	2,315,705	2·164	1·443	·0558	·0372	641,060	716,121	75,319 29	69,728 14	·1175	·0974	·0617	·0602
April	2,665,466	2,251,002	1·875	1·436	·0484	·0370	626,374	705,756	67,126 38	68,607 06	·1072	·0972	·0578	·0602
May	2,764,830	2,323,765	1·835	1·422	·0473	·0367	647,249	662,883	69,382 75	64,644 79	·1072	·0975	·0599	·0608
June	2,688,082	2,011,500	1·804	1·147	·0465	·0296	605,825	650,285	65,261 20	55,919 30	·1077	·0860	·0612	·0564
July	2,671,031	1,708,927	1·770	0·946	·0457	·0244	766,859	641,168	82,115 08	50,143 98	·1071	·0782	·0614	·0538
August	2,204,042	1,678,604	1·787	1·003	·0461	·0259	761,455	652,598	81,298 48	51,067 40	·1068	·0782	·0607	·0538
September	2,427,809	1,674,035	1·737	1·024	·0448	·0264	759,983	644,696	81,436 97	50,415 39	·1071	·0782	·0623	·0518
October	2,467,061	1,738,930	1·887	1·226	·0487	·0316	798,498	664,743	85,685 93	54,011 06	·1073	·0813	·0587	·0497
November	2,345,553	1,628,936	1·861	1·236	·0480	·0319	701,993	647,677	75,444 31	54,508 92	·1075	·0842	·0595	·0523
December	2,434,038	1,746,368	1·862	1·428	·0480	·0368	749,237	691,378	80,571 02	64,492 76	·1075	·0933	·0595	·0565
Total	30,594,050	23,665,597	....	....	....	....	8,284,190	8,066,372	908,369 03	719,386 26	....	....	....	....
Average	2,549,504	1,972,123	1·911	1·290	·0493	·0333	690,349	672,206	75,697 42	59,947 98	·1096	·0892	·0606	·0562

NOTE.—4 cents per point premium above 3·4 per cent.

TABLE No. 2A

Spread per Quart (A) (See Table No. 1) Based on Top Retail and Nominal Purchase Price.
Spread per Quart (B) (See Table No. 2) Based on Actual Price Realized and Actual Cost of Milk.

Month	A		B		Differential between A and B	
	1931	1932	1931	1932	1931	1932
	cents	cents	cents	cents	cents	cents
January	6·43	6·39	6·23	6·04	·20	·35
February	6·43	6·39	6·21	6·01	·22	·38
March	6·43	6·39	6·17	6·02	·26	·37
April	6·21	6·39	5·78	6·02	·43	·37
May	6·28	6·39	5·99	6·08	·29	·31
June	6·36	6·16	6·12	5·64	·24	·52
July	6·36	5·68	6·14	5·38	·22	·30
August	6·36	5·55	6·07	5·24	·29	·31
September	6·36	5·55	6·23	5·18	·13	·37
October	6·36	5·41	5·87	4·97	·49	·44
November	6·36	5·91	5·95	5·23	·41	·68
December	6·36	6·39	5·95	5·65	·41	·74
Total and Average	6·353	6·064	6·06	5·62	·293	·444

TABLE No. 3

Average Price Paid for all Milk for All Purposes.

Month	1931		1932	
	Per cwt.	Per qt.	Per cwt.	Per qt.
	$	cents	$	cents
January	2·0232	·05214	1·3714	·03534
February	2·0137	·05190	1·3636	·03514
March	2·0110	·05183	1·3695	·03530
April	1·7023	·04387	1·3293	·03606
May	1·5880	·04093	1·2867	·03316
June	1·4757	·03803	·9607	·02476
July	1·5703	·04047	·8394	·02163
August	1·5809	·04074	·9330	·02405
September	1·7187	·04430	·9512	·02452
October	1·7000	·04381	1·1221	·02892
November	1·7187	·04430	1·1477	·02958
December	1·7385	·04481	1·3068	·03368
Total and Average	1·6837	·04389	1·1697	·03018

TABLE No. 4

Pounds of Milk Purchased and Disposition.

Month	Pounds Milk Purchased 1932				Percentage			
	Street Sales	Sweet Cream	Surplus	Total	Street Sales	Sweet Cream	Surplus	Total
January	2,398,440	55,406	291,126	2,744,972	87·4	2·0	10·6	100
February	2,189,385	51,902	236,284	2,477,571	88·4	2·1	9·5	100
March	2,315,705	56,299	270,617	2,642,621	87·6	2·1	10·3	100
April	2,251,002	52,845	306,929	2,610,776	86·2	2·0	11·8	100
May	2,323,765	84,851	398,104	2,806,720	82·8	3·0	14·2	100
June	2,011,500	214,660	816,757	3,042,917	66·1	7·1	26·8	100
July	1,708,927	286,984	489,978	2,485,889	68·8	11·5	19·7	100
August	1,678,604	228,368	218,369	2,125,341	79·0	10·7	10·3	100
September	1,674,035	235,948	330,301	2,240,284	74·7	10·5	14·8	100
October	1,738,930	234,823	251,173	2,224,926	78·2	10·5	11·3	100
November	1,628,936	211,850	156,104	1,996,890	81·6	10·6	7·8	100
December	1,746,368	207,669	180,729	2,134,766	81·8	9·7	8·5	100
Total and Average	23,665,597	1,921,605	3,946,471	29,533,673	80·1	6·5	13·4	100

OTTAWA DAIRY LIMITED

Capital Stock

—	Authorized	Issued				Consideration for Stock Issued
	Shares	Common Shares	Par value	Preferred Shares	Par value	
			$		$	
Jan. 1, 1928		16,000	800,000 00	72	3,600 00	
Jan. 1, 1928	60,000 at $50			21,242	1,062,100 00	
Jan. 1, 1928, 1st and 2nd redeemed and authorized reduced.	(21,314) at $50			(1st— 72) (2nd—21,242)	(3,600 00) (1,062,100 00)	Redeemed. Redeemed.
Mar. 19, 1929		22,000	1,100,000 00			In settlement of Loan made by B. F. & Co., Ltd.
Dec. 18, 1931—Transfer of 6,300 Common to Borden's Ltd. *re* investment in Cornwall Dairy Products.	(6,300) at $50	(6,300)	(315,000 00)			Assets and goodwill.
Par value of all authorized and issued changed to $100.00.	(32,386) at $50 16,193 at $100 3,807 at $100	(31,700) 15,850	(1,585,000 00) 1,585,000 00			
Dec. 29, 1931—Purchase of Laurentian Dairy, Ltd.		1,500	150,000 00			
Dec. 31, 1932—Summary of Capital Stock	20,000 at $100	17,350	$1,735,000 00			

OTTAWA DAIRY LIMITED

ANALYZED STATEMENT OF NET INCOME FOR YEAR ENDING DECEMBER 31, 1932

—	—	Percentage of net sales
	$ cts.	
Gross sales	1,494,504 68	
Deductions—		
Discounts and allowances—I/C	8,963 17	
Rebates and allowances—Milk	4,471 72	
Reserve for bad debts—I/C	1,813 70	
Sales tax	17,242 34	
Total deductions	32,490 93	
Net sales	1,462,013 75	
Cost of Sales—		
Cost of Products—		
*Milk and milk products	388,744 59	26·59
*Purchased butter, etc	197,232 25	13·49
*Sugar and raw materials	32,719 16	2·24
Total cost of products	618,696 00	42·32
Production Expense—		
*Salaries and wages	76,529 21	5·24
*Expense	36,431 05	2·49
*Materials	55,755 40	3·82
*Depreciation	35,965 49	2·46
*Insurance	2,674 82	0·18
*Taxes	5,985 45	0·41
*Other property expense	....	
*Adm. expense—Affil. Cos	2,659 35	0·18
*Adm. expense—Actual	23,132 66	1·58
Total production expense	239,133 43	16·36
Selling Expense—		
*Salaries and wages	93,318 14	6·38
*Commissions	117,664 68	8·06
*Expense	48,004 93	3·28
*Materials	14,150 36	0·97
*Depreciation	14,201 53	0·97
*Insurance	4,452 68	0·30
*Taxes	3,884 47	0·27
Other property expense	....	
Selling expense—I/C	146,667 64	10·03
Adm. expense—Affil. Cos	2,659 35	0·18
Adm. expense—Actual	23,132 67	1·58
Total selling expense	468,136 45	32·02
Reserve bad debts—Milk	11,035 86	0·75
Publicity	9,452 32	0·65
Bottle, box and can losses	28,358 53	1·94
Bottle, box and can repairs	1,588 32	0·10
Total cost of sales	1,376,400 91	94·14
Net profit	85,612 84	
Other Income—		
Interest received	34,392 79	(2·38)
Profit on material sold	212 71	(0·01)
Farm operations	(8,871 48)	0·61
Total other income	26,034 02	(1·78)
Gross income	111,646 86	
Deductions from Income—		
Income tax	12,516 03	0·86
Interest paid	1,618 38	0·11
Provincial taxes	3,551 09	0·24
Total deductions	17,685 50	1·21
Net income	93,961 36	6·43

*For details of these items see attached Schedule.
NOTE.—Figures in parentheses to be considered Red.

OTTAWA DAIRY LIMITED

NAMES OF ITEMS INCLUDED UNDER COST OF SALES ON ANALYZED NET INCOME STATEMENT

Milk and Milk Products.—Cost value of purchased raw milk and cream f.o.b. plant including freight and haulage.

Purchased Butter, Etc.—Cost value of all purchases of butter for resale.

Sugar and Raw Materials.—Sugar, fruits, etc., used in ice cream.

PRODUCTION EXPENSE

Salaries and Wages.—Plant supervision, laboratory, power and refrigeration, receiving and testing, pasteurizing, bottling, canning, washing bottles and cans, making condense, powder and casein, ice and brine, building repairs.

Expense.—Stationery, postage, supper money, telegraph and telephone, travelling expense, books and magazines, automobile expense, laundry, water, light, heat, testing new bottles, ice making.

Materials.—Ammonia, coal used, cartons, wrappers, bottle caps, ice and salt used, washing powder, laboratory materials, brine, service suits and coats.

Depreciation.—Buildings, $2\frac{1}{4}$-$3\frac{1}{4}$ per cent; machinery and equipment, milk, 6 per cent; machinery and equipment, ice cream, 10 per cent; horses, $3 per horse per month; harness, 10 per cent; wagons and sleighs, 10 per cent; cows, $2 per cow per month; furniture and fixtures, 7 per cent; automobiles, 25 per cent, 20 per cent and $12\frac{1}{2}$ per cent.

Insurance.—Self fire insurance and other outside coverage.

Taxes.—Property (including licence).

Administrative Expense—Actual.—Salaries of executive and accounting department, telephone operators, stationery, telegraph and telephone, directors' fees and expense, audits and special reports, donations, subscriptions, fire and group insurance, workmen's compensation, rent, taxes (general, provincial, capital stock), photostating expenses, automobile expenses.

SELLING EXPENSE

Salaries and Wages.—Delivery supervision, office employees, solicitors, foremen, route salesmen, chauffeurs, helpers, stablemen, washing wagons, horseshoeing, yardmen, watchmen, garage supervision, mechanics and service men, tinshop and wagonshop.

Commissions.—Route salesmen and inspectors.

Expense.—Stationery, postage, telegraph and telephone, travelling expense, waste on routes, stable expense, horseshoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenance buildings and structures, machinery and equipment, harness and wagons, painting, miscellaneous.

Materials.—Feed and bedding, horseshoeing materials and supplies, gasoline and oil, tires and tubes, repair parts and supplies used in shops.

Insurance.—Self fire insurance and other outside coverage.

Taxes.—Property, automobile licences, business tax.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 26, 1933

No. 15A

(Supplement to No. 15)

Reference,—Milk and Milk Products

Documents filed by Witnesses, W. F. Jones and B. H. Thorne.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

OTTAWA DAIRY LIMITED, OTTAWA, ONTARIO

Index of Information Required by Select Standing Committee on Agriculture and Colonization, April 12, 1933

Questions answered by Mr. W. F. Jones

OTTAWA DAIRY LIMITED

Minutes:—Page 483—Line 46.

Subject:—Number of members comprising Ottawa Valley Milk Producers' Association:

1931	471
1932	458

(This information submitted by T. J. Boyce, Secretary, April 15, 1933).

Minutes:—Page 488—Line 38.

Subject:—Correction in value of bottle loss per shipment:

Value of loss per shipment, ·2186 cents not—·1782 cents as stated. ·1782 cents is loss per quart of total milk handled in 1932.

Minutes:—Page 489—Line 16.

Subject:—Number of bottles on hand at last inventory taken March 31, 1933:

Quarts	145,362
Pints	70,315
Half-pints	23,463

Minutes:—Page 489—Line 20.

Subject:—Cost of 12-quart metal case.

Cost of 12-quart metal case is $3.30 and not $3.50 as stated.

Minutes:—Page 491—Line 25.

Complete list of Borden plants in Canada.

This information will be furnished by Mr. B. H. Thorne, Assistant Secretary-Treasurer and Regional Accountant.

Minutes: Page 495.
Subject: Ottawa Dairy Farm.

914,458 pounds of milk produced on Ottawa Dairy Farm in 1932.

Quarts of Milk Sold, 1932

	Per quart
Jersey, 53,128½	·1579
Nursery, 81,642½	·1416

Method of Determining Purchase Price to Farm

Nursery Basis.—Association price plus one-half the difference per quart between retail selling price of regular pasteurized milk and nursery milk on quantities sold as nursery milk.

Jersey Basis.—Association price plus one-half the difference per quart between retail selling price of regular pasteurized milk and jersey milk on quantities sold as jersey milk.

Balance of milk produced over nursery and jersey requirements purchased at prevailing association price.

Number of Cows Milking, March 1933: 130.

Surplus milk purchased from Ottawa Dairy Farm in 1932: 51,597 pounds.

Operating

Milk Sales	$ 16,216 22	$ 16,216 22
Milk Quantity (Pounds)	914,458	
Salaries, Supt	2,160 00	
Field labour	6,435 89	
Labour—Barns	91 72	
Labour and material, repairs to equipment	367 72	
Labour and material, repairs to buildings	1,755 45	
Feed and bedding	3,883 83	
Seed	566 89	
Veterinary expense (cattle tests)	231 35	
Depreciation, horses, machinery and equipment, etc	1,450 76	
Depreciation—Buildings	2,358 32	
Miscellaneous expenses	2,169 04	
Miscellaneous sales of farm products	(2,957 81)	
Taxes	2,186 19	
Insurance	349 25	
Depreciation—Cattle	3,359 70	
Appreciation—Young cattle	(1,466 30)	
Trucking	116 98	
Boarding house expense	2,028 72	
Total charges	$ 25,087 70	
		25,087 70
Loss		$ 8,871 48

Figures in parentheses to be considered red.

OTTAWA DAIRY LIMITED

Minutes: Page 496—Line 47:

THE BORDEN COMPANY, ESTABLISHED 1857, AND ALL SUBSIDIARY COMPANIES

ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 1932
NEW YORK, March 1933

THE BORDEN COMPANY

Directors:

Howard Bayne
*Hugh Blair-Smith
Lewis M. Borden
L. Manuel Hendler
Albert T. Johnston
Robcliff V. Jones
John Le Feber
Edward B. Lewis
John W. McConnell
Albert G. Milbank
Arthur W. Milburn
Beverley R. Robinson
Stanley M. Ross
Wallace D. Strack
Robert Struthers

Officers:

Albert G. Milbank, Chairman Board of Directors
Arthur W. Milburn, Chief Executive & Chairman Executive Committee
Albert T. Johnston, President
Wallace D. Strack, Executive Vice-President
Patrick D. Fox, Vice-President
Edward B. Lewis, Vice-President
Ralph D. Ward, Vice-President
George M. Waugh, Jr., Vice-President
Everett L. Noetzel, Treasurer
Walter H. Rebman, Secretary
George Bittner, Assistant Treasurer
St. John W. Davis, General Controller
Frederick W. Schwarz, Assistant Treasurer
Theodore D. Waibel, Assistant Secretary

This list reveals some changes in the official personnel, due to the death during the year of Merritt J. Norton, Vice-President and William P. Marsh, Secretary and Treasurer.

EXECUTIVE OFFICES

The Borden Company
350 Madison Avenue, New York City
(Subsidiary and Territorial Offices not included)

REGISTERED OFFICE

15 Exchange Place, Jersey City, N.J.

Transfer and Dividend Disbursing Agent
The Chase National Bank of the City of New York
11 Broad Street, New York City

Registrar: Bankers Trust Company, 16 Wall Street, New York City
Counsel: Milbank, Tweed, Hope & Webb, 15 Broad Street, New York City
Auditors: Haskins & Sells, 22 East 40th Street, New York City

* Died January 11, 1933.

Corporate Organization and Scope

The business of the Company falls into four general divisions. In conformity with this there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions. For similar reasons and because of the extent of operations throughout all of Canada, which operations embrace the activities of all four general divisions, Borden's Ltd., a Dominion Corporation, was organized in 1930.

The Borden Company owns 100 per cent of the stock of these major sub-holding companies, and of Borden's Ltd., each of which companies, in turn, owns 100 per cent of the stock of the operating companies coming under its control.

The four major sub-holding companies are as follows:—

Borden's Food Products Company, Inc. Food Products Group—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; casein products, caramels, mince meat, dried fruit juices, etc.
Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

Borden's Dairy Products Company, Inc. Fluid Milk Group—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.
Business of the above nature is conducted in the States of Arizona, California, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

Borden's Ice Cream & Milk Company, Inc. Ice Cream Group—manufacture and sale of ice cream and allied products.
Business of the above nature is conducted in the States of California, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, West Virginia, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

Borden's Cheese & Produce Company, Inc. Produce Group—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale; also manufacture and sale of package, loaf, bulk and fancy cheeses.
Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

To the Stockholders of The Borden Company:

There are presented herewith Financial Statements together with certificate of audit of Messrs. Haskins & Sells, setting forth the Operating Results for 1932 and the condition of the Company at the close of that year.

The decrease in Sales and Net Income is attributable to the uncontrollable general conditions prevailing throughout the year, and the further drastic liquidation of dairy product values, with accompanying market chaos.

Despite these conditions the Balance Sheet at the close of the year reflects strength and preparedness.

Sales

Sales for the year amounted to $212,348,871.24 compared with $284,586,876.71 for 1931, a sales value decrease of 25·4 per cent and a sales tonnage decrease of 12 per cent. The adjustment of Canadian and Export Sales to their United States dollar value adversely affects the sales value figure for both years.

Net Income and Earnings per Share

Net Income of $7,524,488.92 is 3·54 per cent of sales and $1.71 per share on all of the Capital Stock outstanding December 31, 1932.

This compares with Net Income of $3.82 per share before provision for profit sharing in 1931, and $3.66 per share after such provision in that year. The terms of the Profit Sharing Plan are such as to preclude any distribution from 1932 Net Income for profit sharing purposes.

Net Income on Canadian and Export Sales is adjusted to the United States dollar value and the adjustment absorbed as an operating charge.

Net Working Capital

This item at the close of the year stood at $39,726,942.17 compared with $43,646,852.24 on December 31, 1931. This decrease of $3,919,910.07 is more than accounted for by the smaller and lower valued Inventories, which were $4,381,060.57 less than on December 31, 1931. These were valued at the lower of cost or market conservatively established.

The ratio of Current Assets to Current Liabilities on December 31, 1932, was $4.72 to $1, which compares with a ratio of $3.91 to $1 on December 31, 1931.

Cash on hand, domestic and foreign, adjusted to United States dollar value, amounted to $15,692,826.52 on December 31, 1932, which compares with $15,027,552.55 on hand December 31, 1931. Cash alone was about one and one-half times the total of all Current Liabilities.

Marketable Securities of high investment rating, a large proportion being United States Government Securities, and including a substantial amount of Canadian Government Securities, taken at their December 31, 1932, United States dollar market value, amounted to $8,777,071.56 compared with $10,157,503 on December 31, 1931.

The Reserves created in 1931 by transfer from Surplus for the absorption of losses on Marketable Securities and adjustment to their United States dollar value of aggregate Net Current Assets remaining in foreign jurisdictions, were at December 31, 1932, somewhat excessive, when measured by security and exchange values of that date. It was thought best, in view of continuing unsettled conditions, to defer the return to Surplus of any excess provision remaining therein, Current operations have not benefited by use of these Reserves.

While collections were the poorest of recent years, all credit losses have been charged off and adequate Reserves against future losses have been created by charges to operations, thus leaving Receivables in a healthy condition.

Property, Plant and Equipment

The net depreciated and adjusted value of this item on December 31, 1932, is $98,678,333.01 as compared with $100,186,701.81 on December 31, 1931, which latter figure comprehends the extensive reserve appropriations and adjustments of that year as fully set forth in the 1931 report to Stockholders.

Depreciation charges to operations during 1932 amounted to $8,695,625.76.

Large expenditures, previously planned, for improvements and replacements were made and property values thereby increased.

All properties were maintained in excellent physical condition and seemingly wise expenditures in the interest of quality protection, co-ordination and efficiency were not withheld.

Property expenditures of every nature continued to be controlled by a conservative policy of accounting.

With all of the foregoing in mind, the reduction, when compared with the previous year of $14,058,941.27, in gross value of Property, Plant and Equipment, and of $12,550,572.47 in Reserves for Depreciation, calls for special comment, which follows:—

The two principal causes for the reduction of Gross Values and Reserves during 1932 are:—

(1) The removal from both the Gross Property Values and the Reserves for Depreciation of all that property and equipment which has become 100 per cent depreciated.

(2) The removal from both Gross Property Values and the Reserves for Depreciation of the respective amounts therein affecting all property disposed of and all values scrapped in the process of revamping during the year.

In all other respects, the charges and credits to Gross Values and Reserves have been of a regular nature.

Book value of Property, Plant and Equipment is a subject receiving much attention in these days. It is not one that lends itself to uniform treatment by all corporations.

With a long established going concern, necessarily employing at all times fixed assets of large amount, there always exists a disparity between the book values thereof and their current replacement values.

A large portion of these assets are long lived. The costs of some reflect the prices of previous low cost periods, which compare more favourably with those of to-day than some representing peak costs. It is not by any means to be assumed that the total book value of these assets is excessive by the amount of the difference between peak costs and the present day costs applied to all property values.

With these facts in mind, this Company has given much thought to adjustment of its property values, and in so doing has endeavoured to avoid drastic blanket action of an arbitrary nature which might prove unwise at a future day. Specific treatment, approached with thoroughness and caution, rather than very general treatment, has been our procedure.

Thus far the consideration given has resulted in:—

(1) The Reserves of $9,750,000 created in 1931 for adjustment of book values of Idle, Surplus, Obsolete and Excessively Cost-Valued and previously independently appraised Properties, as set forth in the 1931 Report to Stockholders.

(2) The elimination in 1932 from property values of 100 per cent depreciated Properties, some of which, nevertheless, continue in operation, the practical effect of which is a downward adjustment of total gross property values, as hereinbefore referred to. As more properties become 100 per cent depreciated or are disposed of, they too will be eliminated from book values.

Further, it is to be remembered that large expenditures for replacements of Property and Equipment at current price levels, resulting in the substitution of present day costs for those of higher priced periods, result in a constant adjustment of total gross values of Properties.

All the foregoing reacts favourably on depreciation charges without lowering of rates.

The Budget of Capital Expenditures for 1933, as approved by the Board of Directors, while providing fully for all necessary replacements and, as well, certain further expenditures in the interest of co-ordination and efficiency, is a greatly reduced Budget as compared with that of 1932, and well within the usual depreciation charges for the year.

Capital Stock

Of the Authorized Capital Stock of 8,000,000 shares of $25 par value each, and an aggregate par value of $200,000,000, there was outstanding on December 31, 1932, $109,918,850 par value, represented by 4,396,754 shares, as compared with $109,882,025, represented by 4,395,281 shares on December 31, 1931.

The net increase in outstanding Capital Stock for the year, amounting to $36,825 and 1,473 shares, is accounted for as follows:—

3,900 shares were issued in payment for small businesses acquired and merged with existing units.

2,427 shares previously acquired for corporate purposes, and proving in excess of requirements, are now returned to Treasury Stock, thus reducing the total Capital Stock actually outstanding.

The capital continues without any outstanding securities senior to the Common Stock of The Borden Company.

The stock outstanding December 31, 1932, was held by 36,236 Stockholders, with an average holding of 121 shares, which compares with 32,383 stockholders with an average holding of 136 shares on December 31, 1931.

The number of Stockholders as of December 31 for each of the past six years follows:

1927	5,664
1928	9,482
1929	17,167
1930	24,383
1931	32,383
1932	36,236

Nineteen Thirty-two presented to Management the problem of almost constantly adjusting the business to rapidly changing price and market conditions of an adverse nature. These conditions called for most careful examination and necessary adjustment of costs and operating and general expenses of every nature if the ill effects were to be minimized. This has been done and is continuing.

Operating efficiency has been improved and further marked progress is expected in 1933.

It has been necessary for both the farmers and the Company to make sacrifices in the interest for preservation of markets and an assured future. The farmers have taken price reductions. The members of our organization from top to bottom have taken salary and wage reductions. The Stockholders have taken dividend reductions. All have sacrificed that all might gain.

By all of this the consumer gains—only the records of decades ago reveal retail prices as low as many now in effect. As to some prices nothing comparable can be found.

Stability is still lacking, although greater steadiness has recently been perceptible.

New economies of very large amount, not effective at any time in 1932, were put into effect with the opening of 1933.

During a year when understanding, co-operation and a spirit of determination were of much more than usual importance, they were forthcoming. For these and the personal sacrifices willingly made, the Organization has the grateful appreciation of the Directors and Officers.

Respectfully submitted,

ARTHUR W. MILBURN,

Chief Executive and Chairman Executive Committee.

THE BORDEN COMPANY AND ALL SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1932

ASSETS

PROPERTY, PLANT AND EQUIPMENT:		
Including Madison Avenue and Hudson Street Office Building Properties (Values are based on cost or on field surveys by Company's engineers, supplemented where necessary by independent appraisals, with subsequent additions at cost)		$ 159,188,276 50
LESS:		
Reserves for Depreciation		60,509,943 49
NET PROPERTY, PLANT AND EQUIPMENT		$ 98,678,333 01
CURRENT ASSETS:		
Cash	$ 15,692,826 52	
Marketable Securities (at Market or Less)	8,777,071 56	
Receivables (Including salary advances to employees of $94,611.37)—Less Reserve for Doubtful Accounts	13,149,734 15	
Finished Goods (at the Lower of Cost or Market)	8,445,426 92	
Raw Materials and Supplies (at the Lower of Cost or Market)	4,335,238 91	
		50,400,298 06
MORTGAGES AND OTHER RECEIVABLES—NOT CURRENT (Resulting principally from sales of Property)		1,711,120 70
PREPAID ITEMS AND MISCELLANEOUS ASSETS		1,003,422 34
TRADE-MARKS, PATENTS AND GOOD-WILL		7,000,000 00
TOTAL		$ 158,793,174 11

LIABILITIES

MORTGAGE—MADISON AVE. OFFICE BUILDING PROPERTY		$ 2,700,000 00
CURRENT LIABILITIES:		
Accounts Payable	$ 7,454,745 50	
Accrued Accounts:		
Income Taxes (Estimated)	1,053,614 73	
Other Items	2,164,995 66	
		10,673,355 89
DEFERRED CREDITS		621,813 55
TOTAL		$ 13,995,169 44
CAPITAL STOCK—THE BORDEN COMPANY:		
Common $25. par (Authorized 8,000,000 shares)		
Issued ... 4,417,958 shares		
Less Treasury Stock ... 21,204 "		
Outstanding ... 4,396,754 "	$ 109,918,850 00	
RESERVES:		
Contingency Reserve	2,664,009 48	
Insurance and Other Operating Reserves	5,662,359 74	
EARNED SURPLUS	26,552,785 45	
TOTAL CAPITAL STOCK, RESERVES AND SURPLUS		144,798,004 67
TOTAL		$ 158,793,174 11

SALES:	
(This figure is after deducting returned goods and intercompany sales)	$ 212,348,871 24
COST OF SALES AND EXPENSES:	
(Including provision for depreciation in the amount of $8,695,625.76, insurance, property taxes and all manufacturing, selling, delivery, administrative and general expenses, after deducting miscellaneous operating income)	204,479,834 37
NET OPERATING PROFIT	$ 7,869,036 87
OTHER INCOME (Less charges for Interest)	585,490 23
GROSS INCOME	$ 8,454,527 10
DEDUCT—Income Taxes (Estimated)	930,038 18
NET INCOME (No provision for profit sharing is made since under the Plan no profit sharing distribution is permissible for 1932.)	$ 7,524,488 92

LIABILITIES—*Concluded*

Earned Surplus January 1, 1932	30,021,916 53
Gross Surplus	$ 37,546,405 45
Surplus Charge—Dividends paid in cash during the Year 1932	10,993,620 00
Earned Surplus December 31, 1932	$ 26,552,785 45

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

22 East 40th Street, New York

The Borden Company and all Subsidiary Companies

Certificate of Audit

The Borden Company:

We have audited your accounts and those of your subsidiary companies for the year ended December 31, 1932.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

We hereby certify that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Surplus correctly set forth, respectively, the financial condition of the companies at December 31, 1932, and the results of their operations for the year ended that date.

Haskins & Sells.

New York, February 21, 1933.

OTTAWA DAIRY LIMITED

Minutes:—Page 498—Line 19.

Percentage of Homogenized Sales

January 1, 1932—October 31, 1932: Homogenized Milk 21·82 per cent of Total Sales.

Page 503—Line 19:

PROFIT OR LOSS OTTAWA DAIRY FARM 1928–1932

Year	Amount
	$ cts.
1928	3,955 98
1929	(4,234 79)
1930	(3,587 23)
1931	(8,118 87)
1932	(8,871 48)
1932	(8,871 48)

Figures in parenthesis to be considered red.

Page 528—Line 22:

NUMBER OF SHIPPERS 1928–1932

	192	1929	1930	1931	1932
January	251	247	247	254	228
February	251	247	246	253	226
March	240	248	246	250	221
April	240	247	267	250	218
May	240	248	263	249	219
June	240	248	263	249	221
July	240	250	262	248	222
August	240	250	262	246	219
September	243	249	261	334	219
October	246	249	262	231	221
November	246	247	256	312	215
December	246	247	252	230	217

Note: From April 1930, Laurentian Dairy shipper are included.

OTTAWA DAIRY LIMITED

PURCHASE PRICE PER CWT. OF MILK FOR SWEET CREAM COMPARED WITH BUTTER FACTORY PRICES

Page 529—Line 17:

Month	Sweet cream milk	*Butter factory price	Difference
	$	cts.	cts.
January	1·01	70·75	30·25
February	0·97	59·50	37·50
March	1·02	85·75	16·25
April	0·84	70·00	14·00
May	0·82	59·50	22·50
June	0·71	56·00	15·00
July	0·69	56·00	13·00
August	0·70	63·00	7·00
September	0·77	73·50	3·50
October	0·77	73·50	3·50
November	0·78	70·00	8·00
December	0·78	70·00	8·00
Average for year	0·7694	66·09†	10·85

*Special grade prices converted to 100 pounds of 3·5% milk.
†Sweet cream quantities.

Minutes:—Page 531—Line 39.
Subject:—Correction.

Loss on Farm should read $8,871.48 instead of $800,000.

Page 533—Line 47.
Subject:—Composition of Ice Cream.

Milk solids—Fat	12·00% to 14·00%
" Not fat	10·10 " 10·10
Sugar	15·70 " 15·00
Stabilizer	0·90 " 0·90
Total solids	38·70% to 40·00%

Explanation of Four Prices Referred to by a Member of the Committee, April 24, 1933

The Association price referred to by W. F. Jones comprised the price paid for milk sold at retail prices and also the price paid for milk sold at wholesale prices. By agreement with the Milk Producers' Association, there is a differential of 20 cents per cwt. between these two classes of milk.

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION, APRIL 12, 1933

Questions Answered by Mr. B. H. Thorne

Attached sheet number	Minutes		Subject
	Page	Line	
1	506	36	Correction as to full amount paid when redeeming 1st and 2nd preference stock.
1	509	15	
1	507	29	Net income from 1928 to 1931.
2	510	2	Correction on balance of reserve for bad debts on December 31, 1932.
2	510	15	Correction in amount set up for bad debts in 1932.
2	510	30	Reserve for depreciation December 31, 1927.
3	511	28	Amounts paid parent company for administrative expenses prior to 1932.
3	512	12	Correction as to valuing a horse after depreciation.
3	512	46	Percentage of salaries in production department between staff and other employees.
4 and 5	513	32	Analysis of Production expense disbursements.
5 and 6	514	42	" milk selling " "
6 and 7 and 8	514	43	" ice cream " "
9	514	52	" bottle, box and can losses for 1932.
9	518	17	Values added to property as a result of appraisals.
9	518	30	Correction in year.
10	520	18	Correction in name of directors.
10	522	30	Balance sheet of Laurentian Dairy Limited.
11	523	12	Amount paid by Borden Company for Ottawa Dairy Limited.
11	523	39	Correction in word "Sold" to "Cancelled".
11 and 12	524	52	Correction in amount of cash shipped by Canadian companies to New York since 1928.
13	....	....	Balance sheet for 1932.

Questions Asked Mr. W. F. Jones and not Submitted in His Additional Evidence of April 24, 1933

Attached sheet number	Minutes		Subject
	Page	Line	
14	489	20	Cost of 12-quart metal case.
14 and 15	491	25	Complete list of Borden plants in Canada at date of acquisition.

OTTAWA DAIRY LIMITED

Minutes: Page 509—Line 15; Page 506—Line 36.

Subject: Correction as to full amount paid when redeeming 1st and 2nd Preference Stock.

There was $2.50 per share paid on the redeemed 2nd Preference stock in addition to its par value and accumulated dividend in accordance with agreement incorporated in certificate.

Minutes: Page 507—Line 29.
Subject:

NET INCOME FROM 1928 TO 1931

Year	Ottawa Dairy, Ltd.	Laurentian Dairy, Ltd.	Total
	$ cts.	$ cts.	$ cts.
1928	154,200 69	....	154,200 69
1929	168,609 72	....	168,609 72
1930	229,803 28	(40,385 11)	189,418 17
1931	170,320 80	*(12,714 14)	157,606 66
Total	722,934 49	(53,099 25)	669,835 24

*Covers period 1/1/31 to 6/30/31.

Minutes: Page 510—Line 2.

Subject: Correction on balance of Reserve for Bad Debts on December 31, 1932.

Actual balance in Reserve for Bad Debts on December 31, 1932, was:

Milk customers	$8,093 33
Ice cream customers	1,721 65
Total	$9,814 98

Minutes: Page 510—Line 15.

Subject: Correction on amount set up for Bad Debts on December 31, 1932.

Actual amount set up for Bad Debts in 1932 was:

Milk customers	$11,035 86
Ice cream customers	1,813 70
Total	$12,849 56

Minutes: Page 510—Line 30.

Subject: Reserve for Depreciation December 31, 1927.

Amount of Depreciation transferred on January 1, 1928, was $531,632.01.

Minutes: Page 511—Line 28.

Subject: Amounts paid Parent Company for Administrative Expenses prior to 1932.

Amount paid Parent Company for Administrative Expense to Borden's Limited: 1931, $2,822.58.

Minutes: Page 512—Line 12.

Subject: Correction as to Valuing a Horse after Depreciation.

Answer covered amount realized on disposal of horse, no value is set up for any horse after 100 per cent has been written off.

Minutes: Page 512—Line 46.
Subject:

PERCENTAGE OF SALARIES IN PRODUCTION DEPARTMENT BETWEEN STAFF AND OTHER EMPLOYEES

Staff	14·564
Other employees	85·436
Total	100·

Minutes: Page 513—Line 32.
Subject:

ANALYSIS OF PRODUCTION EXPENSE DISBURSEMENTS

General Production Overhead—		
Repairs and maintenance	80 59	
Automobile expense	111 77	
Books and magazines	31 30	
Rent of company cans	(759 81)	
Total	($536 15)	
Laboratory Department—		
Laundry	5 66	
Light, heat and power	34 00	
Miscellaneous expense	289 12	
Salaries and wages	4,507 45	
Insurance	18 27	
Total	$4,854 50	
Power Plant and Refrigeration—		
Repairs and maintenance—Power plant	$ 456 79	
Telephone and telegraph	18 00	
Power purchased	1,708 23	
Miscellaneous expense	421 16	
Repairs and maintenance—Refrigeration	1,087 49	
Transfer from other departments	206 04	
Transfer from other departments	652 33	
Miscellaneous expense	136 14	
Repairs and maintenance—Transfer	11 39	
Total	$4,697 57	
Ice Cream Manufacturing Expense—		
Telephone and telegraph	276 00	
Laundry	322 09	
Light, heat and power	90 85	
Repairs and maintenance—		
Buildings	1,509 54	
Brick cutting machinery	167 49	
Specialty machinery	253 54	
Water	1,054 92	
Miscellaneous expense	655 32	
Repairs and maintenance—		
Other machinery	929 61	
Tubs, cans, etc	238 21	
Insurance	26 34	
Total	$5,523 91	
Plant Expense—		
Laundry	$ 1,307 91	
Miscellaneous expense	2,985 08	
Repairs and maintenance—		
Buildings and structures	4,563 55	
Machinery—Power house	263 72	
Machinery, other	7,384 71	
Miscellaneous	640 38	
Travelling expense	254 56	
Stationery, postage, etc	183 23	
Water	1,387 07	
Handling of milk by outsiders	1,850 95	
Telephone and telegraph	210 06	
Light, heat and power	623 99	
Ice manufacturing	6 90	
Miscellaneous expense	229 11	
Total	$21,891 22	
Grand Total		$36,431 05

Minutes: Page 514—Line 42.
Subject:

ANALYSIS OF MILK SELLING EXPENSE DISBURSEMENTS

Delivery and Distribution Expense—	
Horseshoeing	$ 627 41
Veterinary and medicine	48 80
Miscellaneous expense	7,182 41
Light, heat and power	338 79
Waste on route products	6,157 54
Stationery, postage, etc	905 84
Telephone and telegraph	328 84
Stable and livery expense	1,351 24
Laundry	95 16
Repairs and maintenance—	
Harness, wagons, etc	11,371 05
Buildings and structures	3,792 72
Machinery and equipment	178 50
Trucking, freight and express	100 01
Water	722 72
Automobile expense	12,127 41
Rent	307 73
Travelling expense	22 56
Forward	$ 45,658 73

Minutes: Page 514—Line 42.
Subject:

ANALYSIS OF MILK SELLING EXPENSE DISBURSEMENTS

Delivery and distribution expense—		
Miscellaneous expense	(1 33)	
Total	$ 45,657 40	
Property expense—		
Rent	95 00	
Depot and milk licences	23 54	
Total	$ 118 54	
General sales overhead—		
Miscellaneous expense	$ 1,410 89	
Transfer from other departments	(234 79)	
Complimentary finished products	9 60	
Books and magazines	74 47	
Bottle exchange expense	751 80	
Stationery, postage, etc	110 77	
Entertainment of customers	1 25	
Light, heat and power	105 00	
Total	$ 2,228 99	
Grand total		$ 48,004 93

Minutes: Page 514—Line 43.
Subject:

ANALYSIS OF ICE CREAM SELLING EXPENSE DISBURSEMENTS

General sales overhead—		
Stationery, postage, etc.	$	109 81
Miscellaneous expense		670 14
Travelling expense—Other		140 60
" " —Sales manager		475 56
Telephone and telegraph		483 36
Travelling expense		1,046 72
Telephone and telegraph		68 67
Entertainment of customers		122 92
Books and magazines		21 83
Automobile expense		1,788 96
Depreciation		245 04
Salaries and wages—Sales manager		3,069 50
" " —Office employees		2,966 65
" " —Salesmen		5,030 75
Transfer from other departments		79 24
Salaries and wages—Others		814 45
Total	$	17,134 20
Advertising expense—		
Total	$	5,641 49
Property expense—		
Total	$	13,443 04
Delivery and distribution expense—		
Miscellaneous expense	$	1,024 72
Repairs and maintenance—Harness, wagons, etc		879 70
" " —Machinery and equipment		118 47
Materials and supplies		280 35
Stable and livery expense		123 31
Horseshoeing		34 61
Telephone and telegraph		597 16
Light, heat and power		119 21
Automobile expense		17,983 61
Feed and bedding		981 31
Horseshoeing materials		104 30
Rent		52 36
Water		275 50
Repairs and maintenance—Buildings and structures		221 27
Stationery, postage, etc		63 12
Veterinary and medicine		4 50
Salaries and wages—Route salesmen		9,638 41
" " —Horseshoeing		196 41
" " —Stable and harness men		1,687 34
" " —Chauffeurs and helpers		3,338 25
" " —Miscellaneous		329 52
" " —Shipping clerks		3,080 10
" " —Commissions		5,336 96
" " —Miscellaneous		765 00
" " —Supervision		752 45
" " —Office employees		3,752 51
Trucking, freight and express		1,681 42
Freight and express—General		22 48
Insurance		101 79
Laundry		17 75
Group insurance		338 37
Travelling expense		59 39
Total	$	53,961 65

Delivery expense—Customers' service—	
Repairs and maintenance—	
Ice and salt cabinets	$ 3,165 01
Mechanical cabinets	12,863 38
Salt used	6,877 10
Automobile expense	80 53
Installation—Ice and salt cabinets	247 90
Rental	(78 00)
Depreciation—Mechanical cabinets	25,730 60
Ice used	3,877 70
Transfer to suspense account	(25,710 60)
Automobile expense	2,873 79
Transfer from suspense account	25,710 60
Total	$ 55,638 01
Delivery expense—Dry ice shipments—	
Total	$ 849 26
Grand total	$ 146,667 64

Minutes: Page 514—Line 52.
Subject:

ANALYSIS OF BOTTLE, BOX AND CAN LOSSES FOR 1932

Value of Container loss in 1932.

Bottles	$ 21,257 29
Boxes	1,391 71
Milk Cans	3,408 00
Ice Cream Cans	1,701 53
" jackets	600 00
Total	$ 28,358 53

Minutes: Page 518—Line 17.
Subject:

VALUES ADDED TO PROPERTY AS A RESULT OF APPRAISALS

Dec. 29, 1920	$ 741,858 91	Appraisal made by Canadian Appraisal Co., Mont. Que.
Dec. 31, 1922	62,166 97	" " " " "
Dec. 31, 1925	384,700 47	" " " " "
May 31, 1927	28,348 61	" " Board of Directors, Ottawa Dairy Ltd.
Nov. 30, 1928	5,719 62	" " " " "
Dec. 31, 1928	37,209 57	" " " " "
	$ 1,260,004 15	

Minutes: Page 518—Line 30.
Subject: Correction in Year.

I stated 1928, so 1925 must be a typographical error.

Minutes: Page 520—Line 18.
Subject: Correction in Name of Directors.

Mr. C. H. Labarge was not appointed a Director until March 19, 1929.

Minutes: Page 522—Line 30.
Subject:

BALANCE SHEET OF LAURENTIAN DAIRY LTD., JUNE 30TH, 1931

ASSETS—		
Property and Plant—		
Machinery, Delivery equipment and Furniture	$ 29,132 56	
Less Reserve for Depreciation	2,010 47	
Net Property and Plant		$ 27,122 09
Current Assets—		
Cash	17,830 93	
Receivable less Reserve	110,019 90	
Inventory Supplies	570 44	
Miscellaneous Stocks	125 00	
Total Current Assets		128,545 37
Prepaid Insurance and Taxes		829 02
Accounts awaiting distribution		2,159 11
Trade Marks, Patents and Good Will		30,019 96
Total Assets		$ 188,675 55
LIABILITIES—		
Current Liabilities—		
Accounts Payable	$ 29,137 96	
Accrued Accounts	811 98	
Total Current Liabilities		29,949 94
Capital Stock—		
2,338 shares ($100.00 par)		233,800 00
Surplus		(75,074 39
Total Liabilities and Capital		$ 188,675 55

NOTE:—Assets and Liabilities assumed by Ottawa Dairy Limited on July 1st, 1931, and paid for on December 29th, 1931, through the issuance of 1,500 shares of Common Stock at $100.00 par.

Minutes: Page 523—Line 12.
Subject: Amount paid by Borden Company for Ottawa Dairy Ltd.
There were 10,666⅔ shares of Borden Company stock, valued at $168 each, issued for the common stock of Ottawa Dairy Limited.

Minutes: Page 523—Line 39.
Subject: Correction in word "Sold" to "Cancelled".
6,300 shares of stock of Ottawa Dairy were "cancelled" not "sold".

Minutes: Page 524—Line 52.
Subject: Correction in amount of Cash Shipped by Canadian Companies to New York since 1928.
I was under the impression Mr. Spotton referred to Ottawa Dairy Limited, but find I should have answered as follows on attached sheet.

Minutes: Page 524—Line 52.
Subject: Correction in amount of cash sent by Canadian companies to United States since 1928.
The following statement shows that approximately $6,584,000 was sent to Canada from the United States during the five-year period, from January 1, 1928, to December 31, 1932, in the form of cash remittances, or as dividends to Canadian stockholders of The Borden Company. These were United States dollars. No premium or discount on cash transfers to Canada was charged to Canadian subsidiaries or to Canadian stockholders of The Borden Company.

The Borden Company did not receive any dividends from any Canadian subsidiary during the five years under review. However, there were inter-company transfers from Canada to the United States aggregating approximately $6,230,000. These were Canadian dollars and the discount suffered as a result of the transfer was borne by The Borden Company. This cash, to the extent of approximately $3,557,000, was either returned to Canada or disbursed for the account of Canadian subsidiaries. The excess of cash transferred from Canada over cash returned through inter-company balances was not sufficient to pay the dividends to the Canadian stockholders of The Borden Company by approximately $354,000 as the dividends paid in United States dollars to Canadian stockholders amounted to approximately $3,027,000. However, The Borden Company paid interest to its Canadian subsidiaries on money borrowed from the subsidiaries and the subsidiaries in turn, of course, paid the taxes due to the Canadian Government on such interest.

From the foregoing it will be seen that The Borden Company has not, during this five-year period, either received any dividends from its Canadian subsidiaries, nor has it received from them sufficient cash to pay the Canadian portion of dividends on its own stock.

NET CASH TRANSFERRED FROM UNITED STATES TO CANADA

Intercompany transfers of cash from United States to Canada	$ 3,557,127 62
Approximate average cash dividends paid by The Borden Company to Canadian stockholders	3,027,500 00
	$ 6,584,627 62
Intercompany transfers of cash from Canada to United States	6,229,635 75
Excess U.S. funds sent to Canada	$ 354,991 87

BALANCE SHEET—DECEMBER 31, 1932

Assets—		
Property and Plant—		
Real estate, machinery, delivery equipment, mechanical cabinets and furniture		$ 2,420,440 32
Reserve for depreciation		921,693 05
Net property and plant		$ 1,498,747 27
Current Assets—		
Cash	$ 64,125 47	
Accounts rec'le, less reserve	805,432 77	
Inventory—Products and supplies	67,308 12	
Marketable securities	491,932 74	
Total current assets		1,428,799 10
Prepaid insurance and taxes		379 49
Trade marks, patents and good will		30,019 96
Total assets		$ 2,957,945 82
Liabilities, Capital and Surplus—		
Current Liabilities—		
Accounts payable	$ 114,399 21	
Accrued taxes and pay roll	31,659 48	
Total current liabilities		$ 146,058 69
Deferred liabilities		(968 33)
Total liabilities		$ 145,090 36
Capital Stock—		
17,350 shares ($100.00)		$ 1,735,000 00
Reserves—		
Fire insurance		7,012 43
Surplus		1,070,843 03
Total capital, reserves and surplus		$ 2,812,855 46
Total liabilities, capital and surplus		$ 2,957,945 82

Minutes: Page 489—Line 20.
Subject: Cost of 12-quart metal case.
Cost of 12-quart metal case is $3.30 and not $3.50 as stated.

Minutes: Page 491—Line 25.

COMPLETE LIST OF BORDEN PLANTS IN CANADA AT DATE OF ACQUISITION

Ottawa Dairy, Limited, 393 Somerset St., Ottawa, Dairy and ice cream plant.
Ottawa Dairy Farm, City View, Ontario, Farm.
Cornwall Dairy Products, Cornwall, Ont., Dairy.
Moyneur Co-Operative Creamery, 8-14 York St., Ottawa, Creamery and wholesale produce.
Laurentian Dairy, Limited, 12 York St., Ottawa, Dairy.
Chateau Cheese Co., Ltd., 18-20 York St., Ottawa, Manufacturers of processed and cream cheese.
Baumert Co., Ltd., Huntingdon, Quebec, Manufacturers of cheese.
Pure Milk Co., Ltd., 181 John St. N., Hamilton, Dairy and ice cream manufacturers.
Renton, Ontario, Creamery.
Silverdale, Ontario, Creamery.
Hamilton Dairies, Ltd., 100 Vine St., Hamilton, Dairy.
Hamilton Dairies, Ltd., 163 John St. S., Hamilton, Ice cream manufacturers.
Selkirk, Ont., Creamery.
Jarvis, Ont., Creamery.
Caledonia, Ont., Creamery.
Tisdale St., Hamilton, Idle (formerly ice cream plant).
Borden's Niagara Dairies, Ltd., Magdalene St., Niagara Falls, Ont., Dairy and ice cream manufacturers.
Borden's Niagara Dairies, Ferry St., Niagara Falls, Dairy.
Walkerside Dairy, Ltd., 66 Monmouth Road, Walkerville Ont., Dairy.
Walkerville Dairy, Ltd., Felix Ave., Town of Sandwich, Idle (formerly delivery station).
Walkerside Dairy, Ltd., King St., London, Ont., Delivery station.
Walkerside Dairy, Ltd., King St., Chatham, Ont., Delivery station.
Wesgate Ice Cream Co., 215 Sandwick St. E., E. Windsor, Ont., Ice cream manufacturers.
Ballantyne Dairies, Ltd., 33 Pitt St., Windsor, Dairy.
Windsor City Dairy, 329 Dougall Ave., Windsor, Dairy.
J. J. Joubert Limitee, 4141 St. Andre St., Montreal, Dairy and ice cream plant.
J. J. Joubert Limitée, 920 Blvd. Decarie, Montreal, Distributing branch.
J. J. Joubert Limitée, 10734 Lajeunesse St., Montreal, Distributing branch.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Village), Milk receiving plant.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Pays Brule), Milk receiving plant.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Haut La Baie), Milk receiving plant.
Caulfield's Dairy Limited, 45 Howard Park Ave., Toronto, Dairy (main).
Caulfield's Dairy Limited, 2187 Yonge Street, Toronto, Dairy (discontinued June 30, 1931).
Caulfield's Dairy Limited, Greenwood Ave. and Long Branch, Dairy (discontinued June 30, 1931).
Caulfield's Dairy Limited, 381 Roncesvalles Ave. Branch, Retail store.
Caulfield's Dairy Limited, 639 Danforth Ave. Branch, Retail store.
Caulfield's Dairy Limited, 1966½ Queen St. East Branch, Retail store.
City Dairy Company Limited, Spadina Crescent, Toronto, Dairy and ice cream plant.
City Dairy Company Limited, Centre Island, Toronto, Branch selling depot.
City Dairy Company Limited, New Lowell, Ont., Dairy farm.
City Dairy Company Limited, Woodstock, Ont., Receiving station.
City Dairy Company, Limited, Embro, Ont., Receiving station.
City Dairy Company Limited, Toronto, Queen Street, Idle property.
The Drimilk Company Limited, Spadina Crescent, Toronto, Sales and executive offices.
The Drimilk Company Limited, Princeton—Manufacturing Plant, Sales and executive offices.
The Drimilk Company Limited, Courtland, Ont., Manufacturing plant.
The Drimilk Company Limited, Simcoe, Ont., Manufacturing plant.
The Drimilk Company Limited, Listowel, Ont., Manufacturing plant.
The Drimilk Company Limited, Straffordville, Ont., Manufacturing plant.
The Drimilk Company Limited, Villa Nova, Ont., Receiving station and mfg. plant.
Hall's Limited, Winnipeg, Manufacturing canned chicken meat, also frozen eggs.
Hall's Limited, Lindsay, Distributing offices.
Hall's Limited, Regina, Distributing offices.
Hall's Limited, Calgary, Distributing offices.

Hall's Limited, Windsor, Distributing offices.
Hall's Limited, Hamilton, Distributing offices.
Hall's Limited, Toronto, Distributing offices.
Hall's Limited, Ottawa, Distributing offices.
Hall's Limited, Montreal, Distributing offices.
Canadian Milk Products, Limited, Toronto, Administrative and sales office.
Canadian Milk Products, Limited, Montreal, Sales office and distributing.
Canadian Milk Products, Limited, Winnipeg, Sales office and distributing.
Canadian Milk Products, Limited, Vancouver, Sales office and distributing.
Canadian Milk Products, Limited, Keevin, Feeder station.
Brownsville—Manufacturing Powdered Milk, Corinth, Feeder station.
Belmont—Manufacturing Powdered Milk, Verschoyle, Feeder station.
Burford—Manufacturing Powdered Milk, Westminster, Feeder station.
Hickson—Manufacturing Powdered Milk, Glanworth, Feeder station.
Russell—Manufacturing Powdered Milk, New Durham, Feeder station.
Tillsonburg—Manufacturing Powdered Milk, Otterville, Feeder station.
Finch—Manufacturing Powdered Milk, Muir, Feeder station.
(Factories and Feeders located in Ontario).

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 13, 1933

No. 16

Reference,—Milk and Milk Products

WITNESSES:

D. L. Grabill, Manager of Montreal Dairy; J. L. Roberge, Montreal.

W. F. Jones, General Manager, Ottawa Dairy, Limited.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, April 13, 1933.

The meeting came to order at 10.30 a.m., adjourned at 1.15 p.m., and re-convened at 3.30 p.m., Mr. Senn presiding at both meetings.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Carmichael, Donnelly, Fafard, Hackett, Jones, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Sauvé, Senn, Shaver, Simpson, Spotton, Stirling, Thompson, Tummon, Weese, Weir (*Macdonald*), Wilson.

D. L. Grabill, manager of Montreal Dairy was called, sworn, examined and retired.

Witness Joseph L. Roberge was recalled, examined and retired.

W. F. Jones, general manager, Ottawa Dairy Limited, re-appeared and asked leave to make a reply to a statement made at the meeting of April 12, whereby it was alleged that instructions had been sent by Bordens Limited of New York to Bordens Limited of Canada to clean the books of the Canadian Company before the company should be investigated.

Permission being granted Mr. Jones made a statement as appears in the printed evidence hereto.

The meeting adjourned till Tuesday, April 18, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 13, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The CHAIRMAN: We have Mr. Grabill with us this morning, of the Montreal Dairy Company Limited, and if the Committee is agreeable, we will call Mr. Grabill first.

Agreed.

D. L. GRABILL, General Manager, Montreal Dairy Company Limited, called and sworn.

Mr. PICKEL: Mr. Chairman, with the permission of the Committee, I would like to read a couple of clauses from a bill which has been introduced in the Legislature at Quebec this month, in regard to the milk industry. I would like to give you first Clause 12: "The Minister may appoint a commission of not less than five members, nor more than seven, under the name of: Dairy Industry Commission of the Province of Quebec, and select its president and secretary; the latter may be chosen from among the members of the commission," and also Clause 13: "Such commission may: (*a*) Investigate and study the situation of the dairy industry and the dairy products trade in the Province of Quebec or elsewhere, and shall report thereon to the Minister; (*b*) Establish a scale for the guarantee to be given by milk dealers to their producer-suppliers."

We recognize, Mr. Chairman, that perhaps it is out of our jurisdiction to pass legislation establishing price to the producer, but we are a fact-finding body—we set out to find facts. We are furnishing the inspiration, and we are moulding public opinion to the extent that the Province of Quebec has now taken action. I think we may take this draft bill as an evidence of their intention to take action, and I would like to have these two clauses put in the record.

By the Chairman:

Q. Mr. Grabill, have you a statement to make?—A. I would like to use a few figures that I have with me.

Q. The Committee is ready to hear your statement.—A. Gentlemen, I am not a public speaker, but I will try to speak as clearly as possible. If you don't understand me, naturally I hope you will ask me to repeat.

Q. It is customary, Mr. Grabill, to allow a witness to give his statement without interruption, and examination will follow.—A. All right, sir.

Q. We will follow the customary practice.—A. We were rather surprised to see such detailed information about our company in the newspapers yesterday. We were disappointed that we were not called upon ourselves to give this information as it is available, and we have nothing to hide. I trust that the newspapers will give just as much publicity to our side of the story as they did to the other. You gentlemen certainly realize that the headlines and so on would not do our business any particular good. We not only buy from the farmers, we have got to sell, and if we don't sell it, we certainly can't buy; and the less we sell the greater the overhead charges.

The person who addressed you yesterday has not been connected with our company in any capacity for eighteen months. It is rather surprising how accurately he quoted figures.

By Mr. Bowman:

Q. Were they correct?—A. I will come to that later.

He was discharged in October, 1931, for good and sufficient reasons. The information, as far as we can estimate, is not correct, and I am sure you wish to be fair and just during this enquiry; and that you will be just as anxious as we are to listen to the figures in a fair-minded manner, and would give a just decision on our figures. As stated before, we are perfectly willing to give any information you desire, and to have any auditors come into our Company and examine our records as far back as they could locate them.

Now, I want to point out—I am just going by the newspaper figures as I did not have this printed copy of yesterday's proceedings—in September of 1931, we are supposed to have held back $1,370, which should have been paid to the farmers. Now, that is just a figure that is obtained by figuring the total receipts of milk at the full association price and then deducting from that figure the total obtained by using the average purchasing price. I do not see wherein that could be taken as money that should have gone to the farmers, that is just a figure set up—well, it is of no use to us really; I don't know why it was ever calculated. At that time the average association price for milk was $1.70 per hundred pounds and we paid $1.54; that is, taking our total receipts. I am not saying where that went, I will come to that later.

Witness further stated that our surplus was 538,089 pounds. I wish I could remember figures like that after eighteen months. And he said we paid as surplus 1,140,343, pounds, during the first nine months of 1931. That is absolutely incorrect as during this period we received 7,563,040 pounds and our total fluid milk sales were 5,261,776 pounds, leaving a surplus during these months of 2,301,264 pounds. During this period we paid the producer as surplus only 1,040,264—a little mistake there, you will notice, it was not 1,400,000 it was 1,040,343. We therefore absorbed the difference between what our real surplus was and what we paid as surplus; in other words this difference was paid at the full association price. The quantity absorbed was 1,260,921 pounds, that is the difference between these two figures. I have the figures here for the twelve months of 1931 which shows surpluses paid to the producer.

By Mr. Hackett:

Q. I would suggest that the witness repeat these figures, they are very important, and he has no copies for the committee.—A. Yes, I will repeat any figures you wish.

By Mr. Bowman:

Q. And the total receipts for the first nine months for 1931 was how much? —A. 7,563,040 pounds, and the fluid milk sales themselves are the net sales and not only include milk that was sold in bottles, but milk that was sold in cans, and also raw milk sales—that is, non-pasteurized milk of 5,261,776 pounds. The surplus for nine months was 2,031,264 pounds, and the surplus that we paid was 1,040,343. The difference which was absorbed is the difference between that one million and the two million roughly 1,260,921.

By Mr. Hackett:

Q. Does that mean that you paid for that at the price——A. At the association milk prices.

Q. At the association prices?—A. Yes. Now, for the twelve months the total receipts were 10,250,348 pounds; the fluid milk sales 7,451,174, therefore

the surplus was 2,799,174 pounds. You will note it was approximately 27·3 per cent. We paid the producers a surplus of 1,338,695 pounds. The surplus absorbed was 1,460,479. We have tried to be as fair to the producer as we possibly could, and in spite of that we took a loss. Surplus, as you probably know by now, is caused by a change in weather conditions. On a rainy day the drivers do not sell as much. Some of our large customers' quantities vary almost terribly, you might say. We have some customers who buy as much as 43,000 pounds of milk in a week, and the following week they will 'phone us on Saturday, for instance, and the following week they won't take anything. That is 43,000 pounds of milk that we have got to skim.

By the Chairman:

Q. Those are bulk sales?—A. Those are bulk sales, but we pay for it at the fluid milk prices, and it has not been our policy to telephone producers on Saturday evening and tell them that we do not want any milk on Monday. We try and give them reasonable notice. Sometimes it has only been four days, but I just cut off some shippers in March, and we gave them, I think it was, fourteen days in which to make other arrangements about their milk. Some of them wrote us back that their separators were out of order or something, and asked us if we would take their milk and pay the surplus price, and we agreed to do it, and that is just what we did in two or three cases; we do not particularly need their cream, as we have four creameries of our own in the country.

We also avoid carrying any milk over from one day to another. For instance, to-day we have not got in our holding tanks the day after to-morrow's milk, which is the practice very widely. We are trying to have our milk as close to the consumer as possible from the source, and that explains why we attempt to buy as large a quantity as we may possibly require, the largest day's sales. We have always got the largest day's sales coming in. At that time their buying policy was not very clearly defined. I would point out that the buying policy since September, 1932, we decided to take the months of November, December, February and March and to average the two-weekly or half-monthly shipments from each farmer during that period, and over and above that quantity, if it was necessary, we would call it surplus. In other words, if our fluid milk sale would not absorb any more than just the total amount obtained by taking this average which is figured for each farmer, then the difference was paid at surplus; so that where a man shipped us the same quantity in the winter months as the summer, he would not have any surplus; and we have other shippers who give us more milk in the winter than in the summer. They are running their business very well, because they get the highest price when they have the largest quantity of milk. Others who are careless, and give us half a can of milk a day in the winter time and five cans a day in the summer time, they are not business men, and they are treated as such. Our producers all understand this policy. They all understood this policy since the month of September. We told them we would take the winter months and figure their basis; and in the months of November and December when there was a certain shortage of milk in Montreal—which was only a fictitious shortage—but there was for a while, we had no difficulty in taking shippers away from other companies, not the large companies, the smaller companies, and after they shipped their milk to us, because they knew they would get paid on time, that they were not going to ship three month's supply of milk and get nothing. Whatever the price was, they were going to get it. There has been some talk about spread between the selling price and the purchase price. In 1931, when prices for milk were rather high, we were selecting our four per cent milk which we were selling at the regular retail price of

11 cents (the regular large dealer's price for good milk was eleven cents) and this included a special sanitary cover cap. Our regular supply of milk was sold retail at nine cents, two cents below the other large distributors in Montreal. This was continued until April, 1932, when our special milk was reduced one cent, and our regular milk was not reduced, so it was only one cent below the other large distributors.

By the Chairman:

Q. What you call your regular milk would be containing sufficient butterfat to comply with the by-law?—A. The by-law is only 3·25. We have never put out milk less than 3·5.

Q. You do not step it up or down at all?—A. We don't step it down at all, but we step it up by purchasing jersey milk. We feel therefore that we have stepped over something. We were still paying association prices, so our spread during this period was from 10 to 20 per cent less than other distributors for a certain quantity of our milk. In the fall of 1932 (that is last fall), when the regular price was raised to eleven cents, we did not raise our price. We remained at 10 cents, so that our spread was still reduced from the other distributors. This policy was continued until the regular retail price was reduced to nine cents on February 27, 1933, when we also reduced our price to nine cents, and we are now selling at what is considered the regular price of milk in Montreal, retail, nine cents. We, therefore feel we have always given the public the fair retail prices, and you will note that during these years our spread was considerably lower than some of our competitors.

Now, in purchasing milk—I will just go over a few of these things, so it will be fresh in everyone's mind—you will note that we buy on the basis of 100 pounds, but we sell on the basis of 103. There are 38·8 quarts of milk in 100 pounds, and not 40 as is commonly estimated. This means that we really should add three per cent to our actual purchase price, in order to compare it with our retail selling prices. I would also point out that a considerable quantity of our milk is sold to stores at two cents below the retail price.

By the Chairman:

Q. That is your regular milk, I suppose?—A. Both. Both milk is available in the stores. And in cans at a great deal lower price. Besides this, institutions, hospitals and relief associations have several prices. Relief associations are buying milk for seven cents a quart, and four cents a pint in Montreal to-day. I think that is about all I have to say in answer to this statement of yesterday.

By Mr. Bowman:

Q. Mr. Grabill, you have stated quite emphatically that the statements which were made by Mr. Roberge the day before yesterday were false?—A. Incorrect.

Q. Well, incorrect or false. Have you with you the books showing the amount of surplus settled for during the months in dispute, which were the months of January, February and so forth down to September, 1931?—A. Yes. I have the amount of surplus paid right here.

Q. That is a statement which has been made up since?—A. Well, it is taken from our books so it would be understandable; if you would like to examine the books and compare the figure, we would show the figure and how we get it to anyone.

Q. Are the books there?—A. Yes, I have the books here from 1931.

Q. Now, for 1931, will you give, according to the books or records, what was the amount of surplus actually charged to the farmer?—A. In the month of January, 65,467 pounds.

Q. Now, that corresponds exactly with the figure given by Mr. Roberge?—A. Yes.

Q. Have you any figure in your records which would correspond with the other figure given by Mr. Roberge with respect to that month, showing what he claims to be the actual surplus and which was set out by him as 35,520 pounds?—A. I don't know how he figures that.

Q. You don't know how he figures that?—A. No.

Q. Have you anything in your records which would correspond with that figure?—A. What was that figure?

Q. 35,520 pounds as being the actual and true surplus for that month?—A. No. There is no such figure here in the month of January.

Q. There is no such figure; in any event, Mr. Roberge was correct when he said that the surplus settled for was 65,467 pounds?—A. Well, if that is what is in this copy of the proceedings, I assume it is correct.

Q. Would you look at page 469, please?

By the Chairman:

Q. You stated it was correct.—A. Yes, I think it was correct. Page what?

Q. At page 469, at the middle of the page.—A. That is the figure that I have here, 65,467.

Q. Now, will you take the month of February of the same year?—A. 62,455.

Q. 64,455, and if you look at the top of page 470 you will find that that corresponds exactly with the figures given by Mr. Roberge.—A. Yes.

Q. Now that, according to Mr. Roberge was what the Company charged to the producer as surplus, and corresponds exactly with the figures in your books.—A. That is right.

Q. Yes, that is right, have you any figure in your records which would correspond with the figure given at the bottom of page 469, where, in answer to a question by Mr. Tummon: "Because that company charged 100 per cent more for surplus than they really had. Now, what about February? How much actual surplus was there?—A. 12,550 pounds?"—A. No, there is no such figure in our book.

Q. There is no such corresponding figure in your book. Now, will you turn to the month of March. What do your records show as being the surplus supplied for and charged to the producer?—A. 86,817 pounds.

Q. If you will turn to page 470 you will find that that corresponds exactly also with the statement made by Mr. Roberge.—A. That is right.

Q. Have you any corresponding figure for that month as shown by Mr. Roberge as the real and true surplus as was stated by him, 20,572.—A. No, sir.

Q. Will you take the month of April; what according to your records is shown as the amount of surplus charged to the producer?—A. 135,503.

Q. 135,503—now that again corresponds exactly with the figures given by Mr. Roberge.—A. That is right.

Q. Correct, so that apparently so far as we have gone in this respect, these figures Mr. Roberge has been exactly correct.—A. Strangely correct.

Q. I beg your pardon.—A. Strangely--accurately correct.

Q. Strangely—accurately correct; well then, what were your figures for May?—A. 96,834.

Q. The figures which is entered here is 196,834.—A. I see that, I just wondered whether somebody made a mistake in subtraction and so forth.

Q. I beg pardon?—A. I just wondered if one of us made a mistake in subtraction. I would look as though our figure was correct. I would have to do some figuring.

Q. Would you just give the figures to the Committee so that we may perhaps make the calculation?—A. Let us see whether I can or not, I don't think

I can without an adding machine, I have to add about 300 figures, that is the only way I can figure it. These figures are correct because they were balanced yesterday, and they cross-checked with our books, so that in that item there will be a difference of 100,000 between this and the figure that you have.

Q. I notice that.—A. In the figure that Mr. Roberge gave.

Q. Well, we will take— —A. There was a difference of 100,000, which is exactly what this is here. I would not quibble over it, because I could find out. It would not matter much one way or the other, because it does not mean much in a volume of several million.

Q. We will take an opportunity probably a little later of checking that one figure out. I would like, if possible, to get the details so that we can check that.—A. I would be glad if I can settle that myself. I will certainly see that they are sent up here and certified if you wish them. If you would like to give me a few minutes I might do it now, if not, we will have them sent up.

The CHAIRMAN: I notice, Mr. Bowman, that the difference carries right down through to the totals.

The WITNESS: Yes.

The CHAIRMAN: So that they are evidently a mistake.

Mr. BOWMAN: In any event, I don't know that the amount is so very important.

The WITNESS: I don't think it matters, Mr. Bowman, it might just be a stenographic error, you know.

By Mr. Bowman:

Q. All right. Take the following month, June; what do your books show as daily surplus settled for?—A. 162,154.

Q. 162,154, which again corresponds with the figures given us by Mr. Roberge.—A. Yes, sir.

Q. Have you anything in your records showing the actual and true surplus for that month as alleged by Mr. Roberge to be 109,830?—A. 109,830? No, I havn't that figure.

Q. No, for the month of July what do your figures show as being the surplus charged the producer?—A. 146,827.

Q. The records show 156,827—I understand that that is a typographical error, and that it should be 146—so that that, too, corresponds with the figures given by Mr. Roberge. Taking the month of August, what figures do you show in your book as being the month charged the producer?—A. 147,661.

Q. And for the month of September?—A. 136,625.

Q. 136,625, again corresponding with the figures given by Mr. Roberge. Now, apparently, Mr. Roberge has had true information with respect to the surplus actually settled for during this nine months period.—A. It would appear so.

Q. It would appear so. And if, as alleged by Mr. Roberge the Company were—and I don't make this as a statement—following the method which he has alleged, naturally there would be no record in the books showing the false figure?—A. Well, these are the original figures that I have right here.

Q. Yes.—A. And they are made directly from the receiving sheets, you see.

Q. Yes.—A. They are not typewritten figures, this is the original book. We dug it out of the attic, and we haven't looked at it since.

Q. Quite true. Now, at this period of 1931 were you in the employ of the Company?—A. Yes, sir.

Q. Did you, personally, have anything to do with the making up of the records in question?—A. No, sir.

Q. So that your information has just come by an examination of the record? —A. Yes sir; and with a previous examination by our accountants in our office.

Q. Yes. During that particular period, the nine months which are in question in 1931, who was responsible for keeping a record of and entering in your books the figures with respect to surplus?—A. Mr. Roberge.

Q. Mr. Roberge himself?—A. Yes, sir.

Q. Now, the book which is before you, and which I understand to contain a record of this surplus, is made up in what way?—A. In what way?

Q. Is that the original book of entry; that is, did Mr. Roberge at the end of each day enter into that book directly the figures showing the surplus settled for?—A. If he didn't he instructed the clerk to, that is certain. These are ink figures, they are not typewritten—some are in pencil, I think.

Q. Just explain to me just what the procedure is with respect to that book; that is, the making up of the contents of that book?—A. Well there are so many pounds of milk weighed in from each shipper on a receiving sheet, and marked down so many cans at so many pounds. At the end of the day these sheets are totalled and the figures are placed in this book.

Q. Yes, that is the point I am asking; that is not the original book of entry? —A. It is the original for the total day's receipts.

Q. Quite true, but the total day's receipts are made up from receiving sheets?—A. Those are more or less scraps of paper, they are not printed forms, you know.

Q. Not printed forms?—A. We have them printed now, at that time they were just run off on a Gestetner machine.

Q. Have the company still these memoranda?—A. I would think they have.

Q. And they would have no objection to them being produced?—A. None whatever.

Q. I would suggest, Mr. Chairman, that they be produced for inspection by the members of the Committee; I am referring of course to the documents from which these final figures are compiled?—A. Yes, sir; I understand very well.

The CHAIRMAN: This witness agrees to produce them?

The WITNESS: Yes, sir.

By Mr. Bowman:

Q. At this period, from January to September, 1931, who were the persons who might have these original memoranda?—A. Well, I think we still have one of those men with us, they are employees in the plant; workmen, partially skilled workmen. I could find that out.

Q. What position do they occupy, what are their duties?—A. Well, the one at the door, all he does is weigh the cans and mark down the number; the weight of the can and the total gross weight of the container and the contents. Then he just pushes it along over to the second man who removes the covers and samples the milk.

Q. I don't want the duties of all those men; but I want the duties of the man who makes the figures which are final?—A. That is all he does—he weighs the cans full, and we know the weight empty; and both these weights are put down.

Q. To show the receipts?—A. To show the receipts.

Q. Yes, but who is it that gives you the figures with respect to the sales so that you know what surplus you arrive at?—A. Well, that is taken from analysing the number of quarts, pints and gallons of milk sold which are totalled up daily, and then monthly—he takes the monthly sales of milk in pounds.

Q. Who does that?—A. That is done in the accounting department.

Q. In the accounting department?—A. Yes.

Q. So that these surplus figures are not made up by the man actually in the plant?—A. Well, in our office.

Q. In your office?—A. The office is right above the receiver.

Q. Yes, you have an oridinary workman or labourer in the plant who figures up the receipts?—A. Right.

Q. Then from your accounting office you get the loss for the day?—A. Yes.

Q. So that it is a combination of these two returns which gives you the surplus entered up in your book?—A. Yes, sir.

Q. Who is it that finally makes that calculation from which these records are made?—A. At the present moment?

Q. No, not at present but at that time?—A. I would not be surprised but what Mr. Roberge did that; I think he did it.

Q. You think it was Mr. Roberge?—A. Yes, I think so. He didn't total up the sales, mind you, but he took the sales and compared them with the receipts.

Q. And arrived at the figures which finally went into these books?—A. Those figures are not in this book.

Q. No, but I say, "finally arrived at the figures which are in the book"?—A. Correct.

Q. So that to your information at the present time Mr. Roberge himself was responsible for the figures which were entered up in this book of surpluses.—A. Right.

Q. That is correct, exactly; Mr. Roberge should have possibly the best knowledge of anyone in your Company with respect to the figures which are entered in that book.—A. He might have a knowledge of that.

Q. But, in the ordinary course of events, he should have the best knowledge.—A. If he had had the best knowledge he would still be with us probably.

Q. Is there anybody else in your Company who, because of his position, during that particular time would have a more accurate knowledge of these figures than Mr. Roberge, and of their correctness.—A. Not particularly, I don't believe so.

Q. No. Why do you say "particularly," or question the statement made by Mr. Roberge?—A. Well, because.

Q. Speaking as a witness and from your knowledge.—A. Because they don't agree with our figures.

Q. No, but strangely they do agree with the actual surpluses which have been paid by your Company.—A. That is right.

Q. As far as you were concerned, you were only giving your evidence from the records which appear before you.—A. Well, these are the only figures.

Q. These are the only figures, but you yourself have no accurate personal knowledge as to whether these figures are correct or incorrect.—A. Except that they tied in with our financial figures, and were audited.

Q. But your statement is that the surpluses which are contained in this report are taken from some other documents of which this only represents the final record.—A. That is right, but we have the other documents.

Q. But you yourself personally have no knowledge of the truth or the untruthfulness of the statements made by Mr. Roberge, except as they are contained in the book before you at the present moment.—A. And these papers, yes, sir.

Q. What papers?—A. These summary papers which I have here.

Q. The summary paper figures were made up by our accounting department as taken from the records of the Company.—A. Taken from this book here.

Q. From that book?—A. Yes, sir.

Q. Is there anybody else in your Company—taking it for granted, as we must from the evidence you have given, you yourself have no personal knowledge of these figures at all save by copy of the record—is there anybody else in your Company who would have a more accurate or correct knowledge of the figures in question than Mr. Roberge himself.—A. Well, we still have the same accountant that we had at that time.

Q. Yes, but the accountant would only take the figures that came to him, he would not go back and actually check up.—A. If the figures did not balance he certainly would, and the plant superintendent also. You see, the receipts have got to balance with the disposals and show a reasonable loss, if the loss is out of line, well, they are certainly going to be checked back very thoroughly.

Q. Of course, but these differences, if we accept the story given by Mr. Roberge, were all favourable to the Company.—A. Well, I think I could state figures favourable to the Company in the same manner.

Q. Yes, along the same line?—A. Well, I don't know whether the figures would be exactly the same or not; I would have a little different idea as to how to draw them up, and I could probably figure it after I sat down after the day's work to figure out. I am giving the figures as we have them, and as we are willing to certify them.

By the Chairman:

Q. Mr. Grabill, what do you mean when you describe your milk as fluid milk?—A. That is the term used, I believe quite generally, for milk which is pasteurized and sold in bottles or cans to the consumer—direct to the consumer, either store or private houses.

Q. You and Mr. Roberge have fairly well agreed as to the amount of surplus milk which was charged to the farmer for these nine months. Can you tell me how that milk was disposed of?—A. Some of it went into the ice cream; some went into butter; and some went into the various grades of cream that we sold.

Q. Can you give me any idea of the proportions which went into these different channels?—A. What month would you like, sir.

Q. Well, any month that would be an average month would do; you could give me for the whole nine months, I suppose.—A. Well, I haven't got it. Let me see whether I have it totalled up or not. No, I haven't got it totalled up here, that is why I can give it to you for any month, but not for the nine months.

Q. What proportion, for instance, would be disposed of as sweet cream.—A. In April—I can only give you this statement approximately without adding it down here carefully—in April our total receipts were in the neighbourhood of 840,000 pounds, and there was some 38,000 pounds that went into cream.

Q. Well, that 38,000 pounds, I suppose, was settled for as surplus milk, was it?—A. Well, I could not say that that particular 38,000 pounds was, no. You see, in April what we paid as surplus was 135,000 pounds, but our actual surplus was a great deal higher than that. You see, in April we received, as I stated, some 840,000 pounds of milk, and we only pasteurized 560,000 pounds of milk, do you see? Now, all of that that was pasteurized was not sold, and it is only that part which is actually sold and for which we enter the amount payable that is called fluid milk. The surplus that we put into that cooler, for instance, to make provision for the special needs of our customers and which never goes out of the cooler—it is just bottled—and if it is not sold that day the following morning the first thing that cooler is cleared and every bottle is uncapped and the contents dumped out. That is not called fluid milk, that is just called surplus.

Q. You are one of the parties, I suppose your company is one of the parties to the tentative agreement with the producers' association from time to time?—A. Yes, sir.

Q. Was it a practice to settle milk that was transformed into sweet cream at the association prices?—A. Well, I don't know the policy of other companies.

Q. What was the arrangement with your company?—A. There was no arrangement.

Q. You were allowed to do as you liked about settlements for that milk.—A. For milk that went into cream, yes.

Q. Do you think that that was the intention, or the understanding, of the producers' association?—A. I don't know.

Q. I think, surely, if you have an arrangement, and if you agreed to an arrangement between producers and distributors you should know whether——A. My understanding of it is that we pay at the full association price for milk that is sold as milk.

Q. And what do you pay for milk that was sold as sweet cream?—A. There is no arrangement, to my knowledge.

Q. That scarcely compares with the evidence which has been given by other companies.—A. If you wish to consider the arrangement as followed by the butter market—that is the basis that we follow.

Q. No, no, that is not what I mean at all; the larger companies have told us from time to time that they settle for the milk that was disposed of as sweet cream at association prices. Evidently you don't follow that practice?—A. Some of them may do, but, as I stated here, our surplus at that time was practically 300,000 of milk in the month of April, and we only paid the producers the surplus price on 135,000 pounds of milk and there were 160,000 pounds of milk which was paid for at the full association price, while the milk that went into cream only amounted to some 38,000 pounds; so that we certainly paid the association price for far more milk than what went into sweet cream.

By Mr. Bowman:

Q. What were your total receipts for the month of April about which the Chairman was speaking?—A. 837,861 pounds.

Q. Consequently your surplus during that month was in the neighbourhood of 40 to 50 per cent of your total receipts.—A. Our surplus was 135,000 pounds.

Q. No, no; the actual surplus.—A. Our actual surplus was almost 300,000 pounds of milk, that is over and above the quantity pasteurized. I haven't got the net sales right in front of me, but they would make it still larger than that, because of the quantity pasteurized which was not sold.

Q. The Chairman is asking what your understanding was with the producer; take, for instance, during that particular period, what was your understanding with the producer?—A. That we would pay for the milk that was sold as fluid milk at full association prices.

Q. What about surplus?—A. That surplus would be paid at the butter price. During that period—I am talking about April—during the first half of April we paid our surplus at $1.10 per hundred.

Q. And the association milk?—A. The association price was $2.03.

Q. And $1.10 for surplus?—A. Surplus, that is what we paid. The other dairies may have paid a different price for their surplus, there is no agreement as to the exact price; you see what I mean.

Q. And are we to understand from your evidence that you gave the producer actually, during that month, credit for almost 150,000 pounds of milk in excess of what he was entitled to at association prices?—A. We paid to our shippers during that period that quantity of milk, yes, sir.

Q. Well, I am correct, that the answer to my question is "yes."—A. Yes.

By Mr. Hackett:

Q. Will you explain to the committee how the figures are arrived at for each day; let us take a Monday morning in January, 1931. You receive a certain amount of milk, and the milk is weighed by the door, is that correct?—A. Yes.

Q. These figures are given to whom, or at that time were given to whom—Mr. Roberge?—A. Either Mr. Roberge or one of his clerks.

Q. When are the figures— —A. Just excuse me there. They may have gone to the plant superintendent first and then to Mr. Roberge, but Mr. Roberge was the man that figured them out, and totalled them up.

Q. When are the figures for a day completed?—A. Well, it may be three days before they are finally completed, because that milk goes out and comes back as returns and is separated, you see, and the cream is disposed of. The cream might stand there a day before we decided whether we wanted to use it either as cream, table cream, or butter, if it was sour, or in ice cream.

Q. Do you attempt to follow the identity of the milk to its final disposal? —A. Not the individual can, no.

Q. No, but the individual day's receipts?—A. Yes. Say for instance here, on a day in April, we have so many pounds received, so many pounds pasteurized, they didn't make any bottles of cream with it, they made some ice cream, and they didn't send any over to the butter room, but there was some skimmed, you see. Now, the following day very likely that cream was disposed of in butter. That is shown on our butter receipts. It is not shown on here, because we just show the skim; whether the result of that skim went to ice cream or butter, I would have to go back and get the actual working sheets of that following morning.

Q. What happens to the milk that you pasteurize and is not sold from the cart on the day that it goes out?—A. Sold from the wagon? There is some that remains in the cold room. There is a surplus there, and each driver loads the surplus also, and his returns are sent, in our plant, into the basement, with the surplus that was in the cold room, and each bottle individually opened and dumped. If the milk is still sweet, it may go into ice cream.

Q. It never goes onto the wagon again?—A. Never goes back onto the wagon as milk.

Q. Going back to the earlier question, how long does it take you to get a complete record of the milk which comes into your plant on a given day?—A. I would say about three days ought to be the outside.

Q. That is, milk received on Monday morning should be finally accounted for on Wednesday?—A. Wednesday or Thursday. Monday they may be behind. The plant operates on Sunday and the office does not.

Q. At the conclusion of your testimony, you told Mr. Bowman that your testimony rested entirely on the information disclosed by the books?—A. Yes; and my knowledge of our dairy practice, which is essentially the same now as it was in 1931, with the exception that I pointed out that last September we inauguarated a new system of our purchasing.

Q. We are talking about the year 1931?—A. Yes.

Q. And you have told the committee that you have no knowledge, and no means of knowing what the accuracy of the figures is that are in the records?—A. No, except that I have the original records, the original weighing record at the door, and from there the accumulation sheets, and from there our disposal sheets.

Q. But again you told Mr. Bowman that you have no means of checking the accuracy of those records?—A. Well, I can't go back and get the can of milk that was weighed. I have only the character of the employee, who is still with us.

Q. So that when you characterized Mr. Roberge's testimony as erroneous it is erroneous only to the extent, so far as your testimony goes, that it does not coincide with your records?—A. No, sir.

Q. That is all that you can say?—A. Yes.

By Mr. Pickel:

Q. Mr. Grabill, how long has the Montreal Dairy been functioning?—A. I think about twenty-three years.

Q. It has been refinanced and reset up?—A. I suppose it has.

Q. How long have you been with the company?—A. A little over five years.

Q. What official position do you occupy?—A. I am the manager and secretary.

Q. What is your salary?—A. My salary is $4,200 a year.

Q. What other officials are there connected with the company, whose salaries you can give us?—A. I could give you quite a number. Our office manager has the next highest salary, and I think he receives $250 a month, that is $3,000 a year.

Q. Who is the president of the company?—A. The president is Mr. C. H. Catelli.

Q. What is the capitalization?—A. We have $1,000,000 first mortgage gold bonds, and $500,000 general mortgage bonds. There is 31,520 shares of no par value non-voting stock.

By the Chairman:

Q. Issued?—A. Just a minute, I just want to get this straight, now. No, that is not issued.

Mr. PICKEL: I withdraw the question for the time being, until we clear up the other.

The CHAIRMAN: Yes.

Mr. TUMMON: I believe it would be better, and more satisfactory to the committee, if we stayed on one point and cleared it up first.

The CHAIRMAN: I think you are perfectly right about that, if you want to go into anything of the capital structure.

By Mr. Bowman:

Q. I suppose you would have no objection to Mr. Roberge's having a look at the books, in giving his testimony?—A. Has he any right?

The CHAIRMAN: They are committee books at the moment.

The WITNESS: If they are committee books, why, they are at your disposal.

By Mr. Bowman:

Q. I presume you would not object, in any event, would you?—A. Well, we do not, as a rule, allow everbody to examine our books. But last year when the provincial government were in, they had full freedom of the office.

Mr. MCGILLIS: May I ask a question, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. McGillis:

Q. In the month of April, 1931, you said that you had somewhere in the neighbourhood of 300,000 pounds of surplus milk, but you charged the producers back 135,000, and you paid for the rest at association prices; how did that come about?—A. Well, as I say, that milk was used in sweet cream and in ice cream.

Q. Do you usually buy all the milk you use in sweet cream and ice cream at association prices, all the time?—A. You see, we don't set up and say that so many pounds of that producer's milk, of a certain producer's milk went into milk and ice cream and sweet cream and butter. That would be a very complicated accounting system. We strike an average, a fair average, and we allow him for the quantities that went into ice cream and went into sweet cream. If we were only an ice cream company, we would not be buying milk at the association price.

Q. But then there is a lot more milk than is sold as fluid milk that is paid for at association prices at all times by your company?—A. Yes; as I pointed out, in that year there was half of our surplus.

The CHAIRMAN: Any further questions?

By Mr. Bowman:

Q. Just one question—you have given us the figures month by month during the nine months from January to September, 1931. Would you just give us the total surplus during that period, according to your record, surplus accounted for and paid for?—A. You mean paid for? Some one has that.

The CHAIRMAN: You gave it some little time ago. The reporter has it. I can give you the figures that you gave but you may not be willing to accept that. You gave us the surplus as 2,301,000 pounds.

The WITNESS: That was nine months?

The CHAIRMAN: Yes.

The WITNESS: You are talking about nine months?

Mr. BOWMAN: Yes.

The WITNESS: The actual surplus?

By Mr. Bowman:

Q. I just want to verify the figures.—A. It was 2,301,364.

Q. What was the amount paid for?—A. It was 1,040,343.

Q. And was absorbed by the company?—A. The difference, 1,260,929.

Q. Now, during the month of September, what were the actual receipts; that is 1931?

The CHAIRMAN: I think, Mr. Reporter, when these questions are being asked, the witness has a right to that statement.

The WITNESS: I don't think the month is on there, so it is all right. The month is September?

By Mr. Bowman:

Q. Yes.—A. You want our total receipts?

Q. Yes.—A. 856,251 pounds.

Q. If you will refer to page 472, you will note that those are the exact figures given by Mr. Roberge?—A. Yes.

Q. For that month; and how much is pasteurized during that month, according to your records—A. 670,976.

Q. If you will refer just below, at page 472, below the figures to which I referred a moment ago, you will note that Mr. Roberge stated that during that month you pasteurized 818,751 pounds?—A. We didn't pasteurize any more than this quantity that I have given you, for milk sales.

Q. I am not talking about milk sales. I am talking about total pasteurization.—A. Pardon me, you know that everything of the ice cream mix is pasteurized, and the table cream is pasteurized.

Q. Will you give me the total pasteurization for the month of September? —A. As sold as fluid milk, 670,976, that was bottled and put into cans.

Q. Yes?—A. Outside of that, there were certain quantities used for cream, a certain amount used for butter, and a certain amount used for ice cream.

Q. What is the total pasteurization, then?—A. Well, that is the pasteurization, Mr. Bowman.

Q. No, but the total pasteurization; have you no figure in your books which corresponds with the statement made by Mr. Roberge?—A. No.

Q. That the pasteurization during that month was 818,751 pounds?—A. No, I have no such figure.

By the Chairman:

Q. Would they total to that, Mr. Grabill?—A. They may.
Q. Oh, well.

By Mr. Bowman:

Q. The 670,976 pounds does not include what went into ice cream and those other things?—A. No, it never does, the pasteurized quantity.
Q. At the same place Mr. Roberge stated that at that time, at that month, the company skimmed 37,500 pounds; have you any record of that?—A. Yes, I have the skimming here.
Q. Is that right?—A. It is 82,570 pounds.

The CHAIRMAN: Any other questions? Are the committee ready to let the witness step aside for the moment?

Mr. HACKETT: Yes.

Mr. BOWMAN: Just leave the books there, please, Mr. Grabill.

Witness retired.

The CHAIRMAN: Now, we have Mr. Roberge.

Mr. BOWMAN: Call Mr. Roberge back, please, Mr. Chairman.

JOSEPH L. ROBERGE, recalled.

The CHAIRMAN: Mr. Roberge, you are already sworn. What is the wish of the committee?

By Mr. Bowman:

Q. Mr. Roberge, you gave certain evidence to the committee the day before yesterday, and you have since had the advantage of listening to the testimony of the previous witness. Do you wish to, in any way, retract statements previously made by you?—A. No, sir.
Q. Having the advantage of the books before you, will you show first for the month of January how the difference was made up in the actual amount of surplus and the surplus settled for?—A. Yes.
Q. Will you do that?—A. Yes.

By the Chairman:

Q. Mr. Roberge, before you commence, are those your entries?—A. Yes.
Q. You are responsible for those entries?—A. Yes.
Q. From what? How were those entries arrived at, or where did you get your information?—A. They are from the different departments, from the receiving milk department, or the pasteurizing department, from the skimming department.
Q. And did they come direct from those departments to you, or through some other hands?—A. They came through me.
Q. Directly to you?—A. To me, yes, direct.
Q. From these departments, and not through the hands of any superintendent or any other official of the department or organization?—A. Sometimes it might happen that the superintendent might ask for them.

By Mr. Bowman:

Q. I didn't just get that; what was that again?—A. Sometimes the superintendent might ask for them before I got them. It does not happen very often.

Q. Take any particular month, and tell us what the practice is with respect to making up those figures?—A. Well, you see, I used to receive reports, so many pounds of milk received from the farmers, and so many pounds received from the factory, and so many pounds of milk returned by the customers, otherwise by the milkman. You take for instance the month of January, we have received from the farmers 414,545 pounds of milk.

Q. Just a minute, during the month of January—you are talking now about the year 1931?—A. 1931, yes.

Q. From the farmer— —A. We have received 414,545 pounds; and from the factory, 248,451 pounds. Then the returns from customers, that means returns from milkmen, that is milk not sold, 25,730 pounds. That makes a total of 688,726 pounds. Now, we have the company used for pasteurizing 554,423 pounds of milk. They used to standardize the homogenized cream, 30,630 pounds; they used to standardize table cream, 6,040 pounds; they used to standard whipping cream, we call that heavy cream, 400 pounds.

Q. Whipping cream?—A. Whipping cream. We used for the butter, 3,750 pounds; we used for the ice cream, 21,442 pounds. Now, we skimmed 61,250 pounds, and there is a loss in the pasteurizing, 19,641 pounds.

Q. What was the last?—A. That is the loss.

Q. 19,641?—A. 19,641 pounds. You see, there is a difference.

By the Chairman:

Q. What does that total to?—A. That is 697,576.

By Mr. Bowman:

Q. Yes.—A. The first of January we had on hand from the previous day—

Q. Just a minute, that amounts to more, does it?—A. Yes, that is all right. That is what I am coming to.

Q. You are going to explain that?—A. Yes. The first of January we had in the tank on hand 18,350 pounds to be added to the total received.

Q. 18,350 pounds?—A. Yes.

By the Chairman:

Q. From the previous month?—A. From the previous month, we had that on hand in the tank, and at the end of the month we had on hand in the tank, 9,500 pounds; that amount exactly.

By Mr. Bowman:

Q. 9,000 what?—A. 9,500 pounds.

Q. That makes the exact balance?—A. If you take the skim, what we skimmed, 61,250 pounds.

Q. Yes?—A. If you take off what has been returned by the customers, we will have exactly 35,520 pounds skimmed, really skimmed. That is the surplus.

By Mr. Hackett:

Q. That was the actual surplus?—A. That is the actual surplus.

By Mr. Bowman:

Q. And that is the figure which you give for the month of January?—A. Yes.

Q. Just explain that clearly again, so that the committee may get that point.—A. About skimming?

Q. Yes?—A. We skimmed 61,250 pounds, and returned by the customer, 25,730 pounds—

The CHAIRMAN: No. You didn't give those figures before.

The WITNESS: Returned by the customer, 25,730.

Mr. BOWMAN: He gave us that previously.

The WITNESS: Yes, I gave that.

By the Chairman:

Q. That return would be from the previous day?—A. Yes, that has been pasteurized, been put on the wagon and returned not sold.

Q. That is the previous day's milk?—A. Yes. There is some report missing.

By Mr. Bowman:

Q. I beg your pardon?—A. There is some report missing. The recapitulation for each month paid to the farmers.

The CHAIRMAN: Have you that Mr. Grabill?

Mr. GRABILL: Yes.

The CHAIRMAN: The recapitulation?

Mr. GRABILL: Yes.

The CHAIRMAN: Of the previous month's business?

Mr. GRABILL: Yes.

By Mr. Bowman:

Q. I want to clear up this point, because I think it is the real point at issue.—A. There are some missing.

Q. I beg your pardon?—A. There are some missing.

Q. What is missing?—A. I have only a part of the milk. I have only the receiving of milk paid to the farmers. This is not a recapitulation of the milk paid to the farmers, not a real recapitulation at the end of the month in which we balance with the bank for all the cheques paid out.

By the Chairman:

Q. Do I understand you to say that a certain amount of this milk was brought in from some factory?—A. From the factory, yes.

Q. From a jobber?—A. Yes.

Q. From a jobber who used to buy milk and send it direct to the factory?—A. It is not all bought direct from the customers or the patrons?

By Mr. Bowman:

Q. Did I understand you to say there are some essential documents missing?—A. To prove—

Q. That do not enable you to prove your statements?—A. Yes, to prove the 35,000 pounds was really skimmed. I prove it by the record, but it is to prove it by the cheques we send out to farmers; but it is already proved by a controlling report.

Q. In other words, you say the total amount skimmed was 61,250 pounds?—A. 61,250 pounds.

Q. And in order to get the amount of the real surplus there should be taken from that—.—A. The return of milk from the wagons.

Q. 25,730 pounds?—A. Yes.

Q. For that month, which leaves 35,520 pounds, the actual figures which you gave us the day before yesterday, for the month of January?—Yes.

Q. Now, is there any doubt whatever in your mind, Mr. Roberge, at the present time, that the 35,520 pounds given the committee previously and to-day, is the real and correct actual surplus for that month?—A. Yes, sir.

The CHAIRMAN: There is a doubt?

By Mr. Bowman:

Q. There is no doubt.—A. No doubt at all.

Q. No doubt whatever?—A. No doubt whatever.

Q. And the previous witness has already corroborated the correctness of your other figures for that month, the surplus actually charged and settled for?—A. Yes.

Q. 65,467 pounds? Now, take the month of February, and instead of going through all the figures, will you just give us the final figures which will correct or modify the information which you previously gave us with respect to that month?—A. The next month?

Q. Yes.—A. They skimmed 40,130 pounds.

Q. Yes?—A. Returned by the customers, 27,580 pounds.

Q. Leaving as the actual surplus?—A. 12,550 pounds.

Q. Which again corresponds actually with the information you gave us the day before yesterday?—A. Yes.

Q. Is there any doubt whatever in your mind that the information just given to us and now corroborated is correct?—A. Correct, yes, sir.

Q. You say it is correct?—A. Yes, sir.

Q. There could be no question about that in your mind?—A. That is correct, yes.

Q. You are giving the information now from books actually prepared by yourself and returns actually prepared by yourself?—A. Yes, sir.

Q. Will you take the month of March and give us the figures in the same way?—A. March, skimmed 45,452 pounds, returns 24,880 pounds. What was really skimmed was 20,572 pounds.

Q. Which again corresponds with the figures you gave us the day before yesterday?—A. Yes.

Q. And which again, by examination of the books you certify now as being correct?—A. Yes.

Q. Will you take the month of April?—A. Yes, skimmed 91,112 pounds, returned 30,440 pounds, 60,672 pounds.

Q. Which again corresponds exactly with the figures you gave the committee the day before yesterday?—A. Yes, sir.

Q. And which you now certify after examination of the books to be the correct surplus?—A. Yes, sir.

Q. Take the month of May.—A. Skimmed 212,520 pounds, returned 33,420 pounds, which makes a difference of 179,100 pounds.

Q. Which again corresponds with the information given us the day before yesterday?—A. Yes.

Q. And do you again certify that that is the correct surplus?—A. Yes.

Q. And the surplus which was charged back to the producer for that month was according to the figures which have already been corroborated by the previous witness, 196,834 pounds.—A. Yes, sir, I will say this at once, May, I have an idea about the farmers only, so I cannot check up. That is the month that is not right with the report that Mr. Grabill mentioned, 96,000 pounds.

Q. 96,000 pounds?—A. For the month of May.

Q. That is the one in which there is shown a difference of 100,000?—A. There is a difference of 100,000 pounds here. I have the recapitulation for the first part of the month of May, and I see that we have paid at the skimming price to the farmers for that part of the month, 84,445 pounds, for the first part. Now, I will take the second part, and I see in the second part that we have paid at the skimming places to the farmers, 116,389 pounds, that makes a total of 196,834 pounds, that is right.

Q. It seems to be a rather strange thing that the previous witness was not able to figure that up. He told us that he could not account for that without going over a lot of figures, that he needed an adding machine and something else. You had no difficulty?—A. No, sir.

Q. And the correct figure arrived at is that which you have just set forth, 196,834 pounds instead of 96,000 pounds?—A. Yes, sir.

Q. Now, take the month of June?—A. They skimmed 141,730 pounds, returned 31,900 pounds, that is 109,830 pounds.

Q. Which again is exactly the same as the figure you gave us the day before yesterday, and which you now certify, after an examination of the books, to be the exact surplus for that month.—A. Yes.

Q. Will you take the month of July?—A. Skimmed, 79,595 pounds, returned 40,490 pounds, 39,105 pounds.

Q. Which corresponds with the figures given the day before yesterday, and which you certify after examination of the books, to be correct?—A. Yes, sir.

Q. May I draw your attention, Mr. Roberge, or would you give us from the records during the month of July, how much was charged to the producer as surplus?—A. For the first part of July paid at the skimming price, 71,637 pounds, and the second part, paid at the skimming price, 75,190; that is, 146,827 pounds.

Q. Which again corresponds with the figures given the day before yesterday, and also corresponds with the evidence by the previous witness a moment ago. —A. Yes.

Q. There is a very substantial difference between what we may call the fictitious surplus of 146,827 pounds, and the actual surplus of 39,105. There is quite a spread there.—A. That is right.

Q. Will you take the month of August, and give us from the records, the actual surplus.—A. Skimmed 85,920 pounds, returns 42,680 pounds, that is 43,240 pounds.

Q. 240 or 248?—A. 240.

Q. Your figure corresponds with the testimony the day before yesterday, except the last figure is 8, which is possibly a typographical error, or the reporter may not have gotten the answer correctly. Now, will you take the last month, the month of September, and give us the actual surplus?—A. Skimmed 82,570 pounds, returned 45,070 pounds, that is 37,500 pounds.

Q. Which again corresponds with the figures previously given by you, and which you now, after an examination of the books, certify as correct?—A. Yes.

Q. All those figures which you have just given show in details for the months of January to September, inclusive, in the year 1931, is information which you have given us from the company's books, after an examination by you during this questioning by me?—A. Yes.

Q. Now, when you were giving your testimony on Tuesday, you were unable to give us the total milk received for any of those months, with the exception of the month of September. You remember that?—A. Yes.

Q. From an examination of the books, will you please give us the corresponding figures for the months of January—all 1931?—A. Milk received in January, 662,966 pounds. That is the total received for the month.

Q. Figured on the basis of the information you gave us on Tuesday, and I think a summary of which you have in your hand, making a quick calculation, will you tell us what the loss during that month was, what was the amount of the loss during that month taken by the farmer because of the incorrect returns in the matter of surplus?—A. Well now, I will have to give you only what we received from the farmer to show the real amount, because in this total, the factory is included. I will have to change the figure.

Q. Well, have you that total?—A. Yes. The farmer is 414,540 pounds. That is what we received from the farmers.

Q. What would you say the loss suffered by the farmers because of incorrect returns in the matter of surplus was?—A. $497.45.

Q. I beg your pardon?—A. $497.45.

Q. Now, will you turn to the month of February and give us first the amount received from the farmers during that month?—A. For the month of February, $671.16.

Mr. BOWMAN: I do not know, Mr. Chairman, whether the committee are desirous of getting the whole nine months, because it seems rather tedious.

The CHAIRMAN: Unless you have some real reason for doing it Mr. Bowman, I do not think it is necessary.

Mr. BOWMAN: I will take probably one of the larger months. This appears to be average months, and in that way the committee can get an approximate idea, at least, of the total. Take the month of May and make a similar calculation,—no, don't bother with May, take July.—A. $929.14.

Q. Now, for the other months that we have not touched, we have taken the figures for January, February and July. Will you, from the records, so that we can make a calculation later on if necessary, give us the complementary figures for the month of March, the figures from which we can make a calculation of the figures you have already given. For instance, in the month of March, what were the receipts from the farmers or producers?—A. 420,780 pounds.

Q. And in order to arrive at the loss suffered by him, you will multiply that by what?—A. 16.

Q. Which is the figure you gave us before and you would remove the decimal point four points to the left, and obtain the result?—A. Yes.

Q. Will you give us the corresponding figures for April?—A. 618,451.

Q. As received from the farmers?—A. Yes.

Q. And that would be multiplied by the figure of—.—A. 12.

Q. And the decimal point moved, as I have already indicated?—A. Yes.

Q. Take the next month.—A. 725,232 pounds.

Q. Multiplied by—.—A. 3.

Q. Multiplied by 3?—A. Yes.

Q. And calculated in the same manner as the previous one?—A. Yes, sir.

Q. What month have I got up to by this time?—A. June.

Q. Give us the next month?—A. 772,280 pounds.

Q. Multiplied by the figure—.—A. 7.

Q. And calculated in the same way?—A. Yes.

Q. The month of July?—A. 663,675.

Q. Multiplied by the figure 15?—A. 14.

Q. And calculated in the same way?—A. Yes.

Q. The month of August?—A. 647,446.

Q. Multiplied by the figure 15?—A. 15.

Q. And calculated in the same way as previously?—A. Yes.

Q. Turn to the month of September, and give us the same information.—A. 592,788 pounds.

Q. And multiplied by the figure—.—A. 16.

Q. Calculated in the same way?—A. Yes.

Q. Now, with regard to the month of September, it might be fair to point out to the committee we made a calculation the day before yesterday which was apparently a misunderstanding on my part, taken from the information given by the witness, which bases the calculation on the total receipts of 856,251 pounds. Part of that, as I now understand it, is received from the factory?—A. Yes.

Q. You have given us the corrected figure as being the receipts of the farmers?—A. Yes, for the farmers.

Q. The figure you have just given us you might repeat again.—A. From the farmers in the month of September you mean?

Q. Yes.—A. 592,788 pounds.

Q. That would be multiplied by the figure 16?—A. 16.

Q. And calculated in the same way? You stated in the first part of your testimony that there was some memorandum missing. To what memorandum do you refer?—A. I mean the total purchases of milk.

Q. The total purchases of milk is not available before you at the moment?—A. No.

Q. But after the examination you have been making in the last hour of the records before you, are you still satisfied that the figures you have previously given and now give are correct?—A. Yes, sir, they are correct.

By the Chairman:

Q. Are not the total purchases of milk included in the book before you?—A. Yes.

Q. Yes?—A. But not the remittances.

Q. Are not the purchases from the factories included in the book there?—A. Yes, what we have received.

By Mr. Bowman:

Q. The previous witness could only have a knowledge of these transactions, not from personal knowledge, dealing with the matters, but because of the records which he has presented before the committee. You yourself are giving evidence from a two-fold viewpoint; first of all because the records before you are your own, and secondly, because you were in charge of them, and you know what you state to be the facts?—A. Yes, sir.

By the Chairman:

Q. Mr. Roberge, I understand that you had to do particularly with the purchases of milk and the settling of the same with the farmers. You have no knowledge of the agreement between the Producers' Association and the distributors at that time?—A. No; I know the price agreed to pay was as I told you the other day, the association price and this price also paid for the milk whether for ice cream or standardized cream—

Q. It was your understanding that the arrangement between the distributors and the producers was that all milk used for sweet cream, and ice cream purposes was to be settled for at association prices?—A. Well, I do not say they had an agreement with them, but we always did that, always paid a standard price for the milk used for table cream and ice cream.

Q. You always paid it, you say?—A. At the standard price.

Q. I cannot understand that statement in view of what you have already said?—A. What I mean, we should have paid it; if you want it that way.

Q. It is different. It was your understanding that the agreement between the Producers' association and the company—whatever it may have been called, an agreement or arrangement or understanding—was to the effect that all milk used for sweet cream purposes and for ice cream purposes was to be paid for at association price?—A. No. I do not say that, because I do not know if they had an agreement, but what I know, we are supposed to pay the standard price.

Q. What do you mean by supposed?—A. Because we need that milk.

Mr. Grabill: May I ask a question? Mr. Roberge says we are supposed. That is his personal opinion. Now, it is his personal opinion against that of the dairies in Montreal or in any other city in Canada or the United States. That is just Mr. Roberge's personal opinion, and his figures throughout this whole testimony are based on his personal opinion and not supported by any dairyman in the business or any dairy expert or any dairy association. The National Dairy Council would not support that for a moment.

The CHAIRMAN: I think, Mr. Grabill, it might be better if you are going to make a statement of that kind to make it when you are in the box. You said you were going to ask a question which you did not do.

Mr. GRABILL: I do not know what Mr. Roberge is going to say until he says it.

The CHAIRMAN: You will have another opportunity if you desire to rebut the statement. It seems to me that the crux of the situation is that Mr. Roberge has one understanding of what constitutes surplus milk while the company has had another. Whether the company's understanding agrees with that of other companies is a matter of question of course.

By Mr. Bertrand:

Q. You were under the impression, Mr. Roberge, that all the milk should be paid at association price?—A. All the milk used for the bottling purposes, for standardizing cream and ice cream.

Q. You were under the impression that all that milk should be paid for at association price?—A. Yes.

Q. Consequently, I understand, that you were making figures, or preparing figures and fixing the amount of surplus milk?—A. Yes.

Q. Then, you knew each month that there was an actual surplus?—A. Yes, sir.

Q. You found out also, because you have figures that you produced to us on Tuesday, showing that there was a higher surplus than should have been paid to the farmers?—A. Yes.

Q. Can you explain where this difference comes in?—A. The difference between the price, the amount of surplus we have paid to the farmers and the real surplus?

Q. Yes?—A. That reduced the price.

Q. On what authority did you pay more surplus; that is, more surplus or more milk at surplus price to the farmer?—A. Because they told me to do so.

Q. Who did?—A. Those who were above me.

Q. And were they telling you that from month to month?—A. Yes.

Q. Were they specifying a certain figure to be paid at surplus price?—A. They told me to reduce the price as low as possible, and sometimes they said bring it down one-fiftieth. It depends on the price at the time.

Q. Consequently, it was not a question of reducing or making a surplus amount, a higher amount of surplus, as to reach a certain level in price paid to the producer?—A. Yes.

The CHAIRMAN: Are the committee prepared to allow the witness to step down?

By Mr. Spotton:

Q. It is just as profitable to put milk into cream and ice cream as it is to sell it by the bottle?—A. Yes.

By Mr. Tummon:

Q. I was moving around and was not able to follow the evidence probably as closely as I should have. If I understand correctly, there is a difference of opinion or a difference in understanding between you and the previous witness. Did I understand that that difference was perhaps caused by the previous witness claiming that a certain amount of fluid milk purchased was used for sweet cream and for ice cream?—A. Yes.

Q. Now, then, have you the books there that will show the quantity of fluid milk that went into ice cream and into sweet cream?—A. Yes, sir.

Q. Can you take one month there?—A. Yes, sir.

Q. Can you arrive at any satisfactory conclusions as to how much of the fluid milk was used in these two?—A. Yes, sir.

Q. What I am trying to get at is this: take for any month you like—January or February—you say the actual surplus was so much?—A. Yes.

Q. The producers were paid a different surplus from what you say the actual surplus was. Now, then, let us find out if the amount of fluid milk that went into ice cream and that went into sweet cream corresponds with the difference between the two? That is what I am trying to get at.

The CHAIRMAN: What month are you going to follow?

The WITNESS: Any month. Just mention the month. I will take it.

The CHAIRMAN: You mentioned January or February. Be specific.

By Mr. Tummon:

Q. I want to be specific and take one month as an actual test.

Mr. BOUCHARD: Take one summer month.

By Mr. Tummon:

Q. Any month?—A. Which month do you want me to take?

Q. July.—A. July. Now, for the month of July we have used for table cream 6,860 pounds.

Q. Of fluid milk?—A. Yes, fluid milk. We have used for homogenized cream 10 per cent, 46,010. We have used for whipping cream 100 pounds, and we have used for ice cream 153,324 pounds.

Q. For which?—A. Ice cream. That makes a total of 206,294 pounds.

By Mr. Bouchard:

Q. You say the ice cream is 10 per cent?—A. That is the homo cream.

Q. What is the per cent of ice cream?—A. Twelve and one-half.

By Mr. Tummon:

Q. Now, then, how much surplus was charged back to the producer in that lot?—A. We have charged 146,827 pounds.

Q. You claim that the actual surplus was 39,105 pounds?—A. Yes, sir.

Q. The difference appears to be then that the company according to their records of the surplus milk, had a greater number than what you said was often paid to the farmers—the difference between 146,827 and 206,294 pounds?—A. That means 59,467 pounds has been paid at standard price. There is a difference of 59,467 pounds. That is what you want to know?

Q. No, no. What I am trying to get at is this: there is a misunderstanding evidently between yourself and the company as to what should be termed or called surplus milk. The different items what you made up there. The company, as I understand it, have properly, or they think they should properly call it surplus milk, or part of it at any rate, while your contention is that there is no surplus milk; is that right?—A. It is not a surplus; we need it at the time.

Q. And actually used it?—A. Yes.

Q. And used it for different parts of the business that, perhaps, brought more profit than fluid milk?—A. Yes.

Q. But, nevertheless, the company took the ground that it was to be paid for as surplus milk?—A. Yes.

Q. They did not pay the total amount?—A. No.

Q. They split it, as it were, and arrived at a figure in between.

Mr. BOWMAN: Hardly a figure in between.

Mr. TUMMON: The difference between 146,800 and the other figure.

Witness retired.

The CHAIRMAN: Shall we call Mr. Grabill?

Mr. BOWMAN: I think the previous witness should have an opportunity to go back into the box and make any statement he wishes to.

The CHAIRMAN: Very well.

Mr. GRABILL recalled.

The WITNESS: I think we should clear up the whole point that this discussion is hinging on. We are following a policy, as I said, that is generally adopted in the dairy industry, and on that basis we have made our payments. We are just doing the same as our competitors. Now, I will not point out any particular competitor, because they may be a cent different from us on some certain price—a cent more or less—but I am talking about standard practice. That is the standard practice of the dairies throughout this country, and the world for that matter; and you are asking for evidence based on the opinion of one individual. I certainly would not stand here and say that these figures have been made and our policy has been set out by my personal opinion. It is not my personal opinion; it is business, just business that is all.

Mr. SPOTTON: Good business to. What you can get away with.

The WITNESS: No, sir. Now, what was the first question that the gentleman asked? I do not want to go over all these figures, because I could make another set and another gentleman could make another set by just a difference of opinion. We could make any sort of figures we wanted by those books. It is based on the opinion of the dairy industry. That is what I want to make clear.

Mr. BOWMAN: Take the month of July.

By Mr. Tummon:

Q. Now, Mr. Grabill, will you turn to the month of July and figure from the records you have before you what, in your understanding, was the actual surplus for that month?—A. Yes. That has all been figured out.

Q. I want you to figure it out as Mr. Roberge figured it a moment ago. There is a misunderstanding between the two of you?—A. Of course, if I figured it as Mr. Roberge figured it I will very likely arrive at the same addition and subtraction as he does. We start from a different premise.

Q. You may start from a different premise, but you must arrive at the same place with the same set of figures?—A. No. I would not say that; no.

Q. I have never kept books as you have kept them there, but I have kept other books, and I am not of your opinion?—A. Let us take the month of July. What was the surplus that Mr. Roberge gave in the month of July?

Mr. HACKETT: 39,105 pounds.

The WITNESS: 39,000. Now, in the month of July we skimmed 79,000 pounds of milk. You see in the month of July we skimmed 79,000 pounds of milk. Now, Mr. Roberge arrived at his figure by substracting the return. Now, the returns as has been explained come back half of them sour.

By Mr. Tummon:

Q. But, with regard to the returns that come back, don't you count them as surplus milk?—A. Certainly; because they are not fluid milk.

Q. What was the total amount of fluid milk received by your company in July, 1931?—A. The total amount of milk received, 970,063 pounds. Now, that is not exact unless we take what is on hand at the beginning of the month, 9,600 pounds and subtract what is on hand at the end of the month, 4,400 pounds. That makes 5,400 pounds more.

Mr. WILSON: 5,200.

The WITNESS: Yes, 5,200.

By Mr. Tummon:

Q. To arrive at the proper amount?—A. 975,763.

Q. Now, then, you have the different branches as to where you disposed of that milk?—A. Yes.

Q. All right. Part of it was disposed of as fluid milk or as bottle sold milk?—A. That is right.

Q. There is no dispute as to that being association price milk?—A. No dispute whatsoever.

Q. Now, then, these other branches of your business such as ice cream, sweet cream—the three varieties—A. That is right, butter.

Mr. PICKEL: Butter is made out of sour cream.

The WITNESS: Sour cream. Yes, sir. A great quantity of sweet cream goes into butter.

By Mr. Tummon:

Q. You say some sweet cream has gone into butter?—A. Yes. A lot of sweet cream went into butter.

Q. The balance of that month's milk that was not association price milk went into these different things?—A. That is right.

Q. You say they should be rightfully charged as surplus milk?—A. Now, that is where we differ. We do not charge all to surplus; we only charge approximately 50 per cent as surplus milk. Some other companies—

Q. I am not disputing that point. What I am asking is this: if you take the total amount of 755,263 pounds of milk received during the month, subtract from that the amount that you claim was association price milk, what balance have you then?—A. In July the surplus was 146,827 pounds.

Q. How much milk in July was sold as fluid milk? I want to get how much the surplus was according to Mr. Grabill's understanding of the quantity of surplus?—A. This is the quantity we paid as surplus.

Q. We have that here?—A. You want to know the quantity that was actually surplus?

Q. That you claim, according to your understanding, was actually surplus?—A. All right. Approximately 390,740 pounds.

Q. That went into fluid milk?—A. No. That is what I figure was surplus milk. I will tell you how I got that figure. I take the total receipts, 975,000, subtract from that the quantity pasteurized, 625,000 and add to the difference the returns of 40,000, because the pasteurized is not net sales; it is that quantity minus the returns. There might be a little difference of 100 pounds there, but it is nothing.

Q. What I cannot understand is this; how you make a surplus in that month of 390,740 pounds and how Mr. Roberge makes a surplus of 206,295, and figure from your books what you claim?—A. As I say, it is a difference of opinion as to what is the surplus.

Q. Well, we must get that correct some way?—A. I do not know where you are going to get it correct.

Q. Surely, both of you must start from the same point?—A. We certainly do not.

Q. Well, what two points are there to start from?—A. Well, how would this explain it? Suppose we were in the ice cream business only, we would not be buying milk at the association price you see?

Q. No. I do not see that. The point of the matter comes down to this that you received so much raw milk during the month?—A. That is right.

Q. Now, you only had that raw milk to work on?—A. That is right.

Q. But if you are both going to figure how much surplus there was that month, you must both start from that foundation?—A. That is what we have; except I say that everything except net fluid sales is surplus and the other witness has another opinion.

By Mr. Hackett:

Q. Do you include as surplus 6,860 pounds of fluid cream, 46,010 pounds of cream of a higher percentage of butter fat, 100 pounds that went into whipping cream and 153,324 pounds that went into ice cream?—A. That is what we figure.

Q. You figure that as a surplus?—A. That is what we figure.

Q. Notwithstanding the fact that there is a daily requirement in your business for those four commodities?—A. That is true.

Q. So, taking the total receipts of 975,263 pounds, to determine the quantity for which association prices are to be paid, you would deduct first the amount used in the three brands of table cream?—A. That is not the way we do it, we deduct the net sales of fluid milk from our total receipts, the difference is the surplus.

Q. And what do you call the net sales of fluid milk, means the total amount pasteurized, less what is returned.—A. That is right.

Q. And from that portion of your entire purchases which is not sold as fluid milk you make butter, cream and ice cream?—A. No, we don't make all our butter, cream or ice cream; that is, just what we cannot sell as fluid milk, therefore the only place where can can dispose of it is in these other products. If it is sufficiently good to go into cream we put it into cream, if it is not, we put it into butter.

Q. Do you classify all milk you use for purposes other than fluid milk as surplus?—A. Yes, that is right.

Q. And you say, then, that you don't pay for all of that surplus on the same basis?—A. No, sir—that is correct.

Q. Some of it is paid for at association prices?—A. That is right.

Q. And some at surplus?—A. That is correct, absolutely.

Q. What is the basis of discrimination?—A. The basis of discrimination between what?

Q. You have said that some of your surplus milk you pay for at the association price.—A. That is right.

Q. What is the basis upon which you pay for a portion of it at association prices?—A. Well, when it goes into butter, for instance, all we want for milk is the cream; we don't want the skimmed milk, it is no good to us.

Q. So you pay for that on the basis of butter-fat?—A. On the basis of butter-fat. When it goes into ice cream, for that matter, we actually don't need the skimmed milk, do you see? We actually don't need it, we could use condensed skimmed milk. You know what prices and conditions are to-day—we would be rather odd if we paid high prices for that milk which we are using if we could obtain equally satisfactory products at a lower cost which would make just as good a product for us.

Q. Rightly or wrongly you classify that milk which is not sold as fluid milk as surplus milk?—A. We give it that classification.

Q. And the previous witness, Mr. Roberge, has added to the surplus milk that portion of the milk which is converted into sweet cream and into ice cream, and that appears to be the difference between you?—A. And butter, mind you, he also had in there that part of it which went into butter.

Q. Well, he did allow for the surplus?—A. He did allow for the surplus, yes.

Q. And that surplus represented the milk which was returned from and went into butter?—A. Well, his figure would not give you that, no; he subtracted returns from skimming.

By Mr. Tummon:

Q. Have you the actual number of pounds of fluid milk, or milk that was sold as fluid milk, in July, 1931?—A. I haven't it in pounds, I have it here in qauntity and I would have to calculate it. I can give it to you, for instance, in January; I have just the one month's figures.

The CHAIRMAN: Just before we adjourn, I see that Mr. Jones is here, he asked permission last night to make a statement to clear up one point that he thought was important, and I think the committee will be willing to hear him. Is it the pleasure of the committee to hear him now, or shall we wait till after lunch?

Mr. WALTER F. JONES: (Recalled).

By the Chairman:

Q. It is understood, Mr. Jones, that you are still under oath?—A. I am still under oath. Mr. Chairman, and members of the committee: yesterday morning a question came up regarding a message, either by telephone or telegraph, that was supposed to have been sent from an executive in New York to an executive in Canada. That subject gave me considerable concern, and in between the morning and afternoon sessions of this committee I got in touch with Mr. P. D. Fox, who is vice-president of The Borden Company and who is in charge of all fluid milk operations of The Borden Company in New York, and I discussed this matter with him, and this is what he told me, he says: "Nothing whatever has emanated from my office that would impede the progress of the investigation, quite the contrary, my instructions were to keep the records up to date and be prepared to co-operate in every way with the Investigating Committee."

I think, gentlemen, that the evidence that has been submitted to this Committee by two of the Borden associated companies would indicate that we have attempted to live up to the instructions of Mr. Fox. I would like to file this statement with the Committee, if I may.

Mr. BOWMAN: I wonder if Mr. Jones would mind coming back for a few minutes this afternoon, if he is not too busy.

The CHAIRMAN: Do you think you would like him to?

Mr. BOWMAN: I have something in mind that he might be able to give us a little evidence on.

The CHAIRMAN: I think Mr. Jones would be agreeable to that.

The WITNESS: At what time?

The CHAIRMAN: We will make it three-thirty, or as soon after the orders of the day are over as possible.

Mr. BERTRAND: Before the Committee opened this morning, as I was coming in the door—I was just a few minutes late this morning—I just was under the impression that the discussion was on another subject, as I heard Dr. Pickel making a statement that certain laws have been just tabled in the legislative assembly of the province of Quebec, concerning the control of milk under a commission in the province of Quebec.

Mr. PICKEL: Or elsewhere.

Mr. BERTRAND: Or elsewhere, was it?

Mr. PICKEL: Yes.

Mr. BERTRAND: And that, if I understood that properly, this legislation emanated since this investigation has been started. In order not to leave a false impression, I thought it would be correct to make a statement that the Province of Quebec appointed investigators in the year 1932, and they worked all during the course of the year, and part of 1931, and they had Mr. Bond from Cornell University in the United States to help them at that time, and started it there, and that this law would very well have emanated from their own investigation rather than from this.

The CHAIRMAN: It is understood that these witnesses will be available after lunch.

The Committee adjourned at 1.12 p.m. until 3.30 p.m.

The hearing resumed at 3.30 p.m.

The CHAIRMAN: Mr. Grabill was on the stand at the time we adjourned, and I shall now call on him to resume.

Mr. GRABILL recalled.

By Mr. Tummon:

Q. Mr. Grabill, before the luncheon hour, we were dealing with the month of July, 1931. You told us the total amount of fluid milk received in that month was 975,263 pounds. You figured according to your reckoning as to what surplus milk is, that the surplus milk in that month was 390,740 pounds. Do you recollect that? Can you, from your records, tell us how much fluid milk was sold in that month, sold as fluid milk?—A. 574,273 pounds.

Q. How do you arrive at that?—A. Well, right here—

Q. 574 or 584?—A. 584.

By Mr. Tummon:

Q. How do you arrive at that?—A. Right here I have arrived at it by deducting the returns from the pasteurized quantities. Now, it may have an error of an odd hundred pounds or so. The proper way to arrive at that would be the total sales in gallons, quarts, pints and half pints, and transfer them into pounds, which may show a slight error, but not a great deal, not enough to make any difference in the statement.

Q. But have you nothing in your books there that would show the number of quarts?—A. Yes.

Q. And the number of gallons of fluid milk?—A. Yes.

Q. For every month?—A. I have those figures here.

Q. That is what we want.—A. For the month of July?

Q. 1931.—A. 1931; quarts, 152,197, pints 78,026; half pints 9,245; gallons 12,339½. Now, if that is transferred into gallons, and multplied by 10·3—

Q. Just a moment, that is what I am coming to. That is the total amount that was delivered as fluid milk?—A. That is the total amount, and those gallons include milk that may have been sold unpasteurized. We have thrown that into our sales.

Q. I know, but even that— —A. We call that— —

Q. Even that unpasteurized milk must have come from the raw product of 975,263 pounds?—A. Yes; we consider this is fluid milk.

Q. Now, let us get that down into pounds. I want to check this up. In regard to the gallonage there, Mr. Grabill, was it 123,399?—A. No. 12,339½.

The CHAIRMAN: Reduced to gallons?

The WITNESS: Well, I have here 624,550, roughly.

By Mr. Tummon:

Q. 624,550?—A. Yes, that is right.

Q. 624,550 pounds is the amount that was delivered as fluid milk instead of 584,573? How do you account for that difference?—A. Well, I don't know; it does not make enough difference to matter. I am perfectly willing to take the high figure, 624,550 as the accurate figure.

Q. Let us take that. That makes a difference and reduces what you claim to be the surplus by approximately 40,000 more odd pounds.—A. The quantity of the returns, yes.

Q. In the month of July, that same month, you claim that the amount of surplus you paid the farmer was 146,827 pounds? Let us know how you

arrive at that. Have you that figure?—A. That would be a rather difficult thing to show you, how we arrive at that figure, but I would quote you some figures here. I am not so much interested in the figures as in the principle.

The CHAIRMAN: You mean in the method employed.

Mr. TUMMON: The method employed.

By Mr. Tummon:

Q. I want to know, if I can get it, how that amount of 146,827 pounds of surplus was arrived at; by what method did you arrive at that?—A. Well, I would say it was arrived at by adding the skimming, the amount that was skimmed, you see, and the amount that went into butter and the amount of plant sales.

Q. In reality, Mr. Grabill, did you have any real set method of arriving at that?—A. Not to the exact fraction.

Q. To a certain extent it was just a hit and miss method?—A. No, I would not say that. Here is what they attempted to do; they attempted to pay the milk that went into the cream, into the ice cream, when possible at a better price than surplus, and in that connection I wanted to point out those figures for the 12 months. If you take the amount of milk that went into our creams—

Q. No, stick to this one month.—A. I do not think you will get any figure.

Q. At the end of every month, Mr. Grabill, you bill back to the farmer a certain amount of surplus?—A. Yes.

Q. You have some way of arriving at it?—A. Yes, as I say, that was arrived at by adding the skimming and the quantities that went into butter.

Q. I must confess I am not much ahead of where I was a little while ago in trying to arrive at what method you employed.—A. If you will come around and see our figures since September, 1932, you will find that we can substantiate those with a system.

Q. Now then, leaving that, unless some of the other members have something to ask you—

By Mr. Bowman:

Q. I should like to ask a question or two on that. As Mr. Tummon has stated, Mr. Grabill, at the end of the month of July you did send out the cheques to the farmers for the balance which the company figured was coming to them, and in that calculation you charged them for 146,827 gallons of surplus milk?—A. Pounds.

Q. Pounds?—A. Yes.

Q. Is that correct?—A. That is right.

Q. You have the records here for that month, have you not?—A. I have the total figures, yes.

Q. You have the details as well?—A. I have the details of the cheques and the amount that went with each cheque number.

Q. I do not mean the details that went to each individual farmer.—A. No.

Q. I mean the details that went to make up these figures which you have given us.—A. Yes.

Q. First of all, the surplus which you estimate at 390,740 pounds, and then the surplus which was charged to the farmer, the figure which I have just mentioned, 146,827, you have those figures?—A. I have those figures.

Q. Let us have the figures showing the difference between those two amounts, which, according to the simple method of subtraction is 243,913 pounds. What comprises that?—A. What comprises that?

Q. Yes.—A. That went into ice cream and creams.

Q. Give me the details.—A. You will find the figures do not tally exactly.

Q. Give me what you have there?—A. All right. Ice cream, 166,910.

Q. That went into— —A. Ice cream.

Q. What is next?—A. Heavy cream, 100 pounds. Table cream—.

Q. Heavy cream 100 pounds?—A. Table cream, 6,860.

Q. How much?—A. 6,860 pounds.

Q. Yes?—A. And 46,010.

Q. And 46,010?—A. And 46,010 pounds.

Q. What is that?—A. That went into 10 per cent cream.

Q. Have you any other figures there?—A. No; that is the total right there.

Q. That accounts for 219,880 pounds?—A. Yes.

Q. Is that what you have?—A. Well, I have not totalled it, but that looks right.

Q. There is still some 24,000 odd pounds left to account for?—A. That was paid at the full price.

Q. No, no.—A. Yes.

Q. It was not paid for at the full price.—A. That amount—

Q. Yes, you are correct.—A. In other words, we paid at the full price for a certain quantity more than went into ice cream and cream, you see. That is just, you might say a gift, because we can't substantiate those figures; and that is just what I wanted to point out, that in the twelve months—if you will let me quote this, there are only three or four figures—

Q. The point is this, we want to get the method, as Mr. Tummon suggests.—A. As I say, at that time with their method, you could not put it down and balance it to the pound, but it came out.

Q. What did you do, just throw in 14,000 or 24,000 pounds of milk, and say you were going to pay for that at the association milk price?—A. That is just about what they did.

Q. That is just about what they did?—A. Yes. They paid for more milk at the association price than what they should have.

Q. Why did they do it?—A. Well, I would have questioned it myself. I certainly would not do it.

Q. You yourself don't really know why they did it?—A. I would not do it to-day, myself.

Q. And if you had been in charge then, you would not have done it?—A. No, sir.

Q. Will you take another month; take the month of— —A. You see, part of the difficulty there, Mr. Bowman, is that milk—cream may have been set aside to go into ice cream, and they kept it aside too long, and it was sour, and then they shot it over into butter; and instead of making the deduction for that, it was allowed to go through and be paid at the full price.

Q. Now, take the month of July; will you give me similar figures for the month of July?—A. That was July then, was it not?

Q. That was July, all right. Take the month of August, and give me similar figures there.

By the Chairman:

Q. Before you come to that, Mr. Bowman, I would like to ask a question there. You said that it was allowed to go sour, and as a gracious act, after it had gone sour, you paid the farmer the association price. You didn't mean that, I hope?—A. I would not want it understood that it was an intentionally gracious act. I would consider it more as carelessness on the part of the operator.

Mr. BOWMAN: That was the word you used, though.

By the Chairman:

Q. As a rule, if you let milk go sour, do you pay the farmer that—or cream?—A. Well, if it is a small amount and it is going to cause a lot of work to figure it back, sooner than figure it back. It was then, it is not now.

Q. If you have a small amount, then the farmer takes the loss rather than yourself, on that which you allow to go sour—you don't mean to convey that?—A. No, I don't mean to convey that.

By Mr. Bowman:

Q. Will you take the month of August, and give us similar information; what were your receipts there?—A. 916,549.

Q. And your sales?—A. Now, that is not taking into account any difference between on hand at the beginning of the month and on hand at the end of the month. Do you want it exactly?

Q. I want similar figures to the figures you gave me for July.—A. What was the figure I gave for July?

Q. Yes, you gave for July.—A. Oh, yes. Well, I have given the corresponding figure.

Q. Now, give me the actual sales?—A. You want next then table creams and ice cream? Oh, actual sales?

Q. Yes.—A. All right, August—

Q. Fluid milk?—A. August?

Q. Yes?—A. 155,633 quarts.

Q. Well, give me it in pounds similar to what you have done in July. Would a quicker way of getting this information not be the figure you gave us yesterday as to surplus, and deducting the surplus from the receipts? You gave us the figure yesterday—

The CHAIRMAN: You mean this morning.

Mr. BOWMAN: Yes.

The WITNESS: Yes, except that that includes returns. That includes returns, and I am eliminating that here. I will have it right here in a minute. That is 605,526 pounds.

By Mr. Bowman:

Q. Consequently your surplus would be the difference?—A. That is right.

Q. Which would be 311,023 pounds?—A. That is right.

Q. For that month, the surplus which you actually charged back to the producer?—A. For August?

Q. For August, was 147,661?—A. That is right.

Q. Will you take your records there and show how the difference between those two amounts is arrived at for that month? Will you give them to me as you go along, please?—A. Ice cream, 136,486.

Q. 136,486?—A. Cream, 6,710.

Q. 6,710?—A. And homo. cream, 10 per cent cream, 38,600.

Q. What else?—A. And plant sales of 8,400.

Q. What do you mean by plant sales?—A. That is raw milk.

Q. Raw milk?—A. That was not included in that pasteurized figure.

Q. 8,000 and what?—A. 8,400 gallons.

By the Chairman:

Q. Gallons?—A. Yes.

By Mr. Bowman:

Q. I want pounds.—A. Oh, no. That is right. That is pounds, 8,400 pounds.

Q. Yes, anything else?—A. That is all.

Q. You have got the first figure, 136,986; that is for ice cream?—A. That is right.

Q. The next is for heavy cream?—A. There is no heavy. The next was table cream, 6,710.

Q. And the next is 10 per cent?—A. 38,600.

Q. And the next is plant sales?—A. That is right.

Q. 8,400 was plant sales?—A. That is right. On top of that figure you should add loss, 13,314 pounds.

Q. Which?—A. The loss, 13,314 pounds. That makes 204,010 pounds.

Q. What did you have as your figure there for loss?—A. 13,314 pounds.

Q. Now, in this case you arrive at an entirely different position than you did in figuring up the last one. In the month of July you say you settled for 243,913 pounds?—A. Yes.

Q. Whereas you only had a right to settle for 219,880 pounds?—A. We paid more, yes.

Q. You paid more than you should?—A. And in this month also we paid for 163—

Q. You paid for 163,362?—A. Yes, 163,362.

Q. Whereas if you had followed the method you had proceeded on in the month before, you should have settled for how much?—A. 204,000.

Q. 204,000 pounds?—A. Well, yes, on that basis.

Q. A difference of 40,000 pounds the other way?—A. Yes. That is what I wanted to point out, if I might, in the twelve months—

Q. Just a minute, let us see what that means. That means that if you have a particular farmer doing business in the month of July in that particular year, he really got credit for more than he should be entitled to, is that correct?—A. That might be possible.

Q. I mean, according to the way your company does business?—A. At that time.

Q. Yes, at that time; but the next following month the farmers that happened to be doing business with the company in that month, they got less than if the same basis had been used in the preceding month?—A. That is true.

Q. Is that the way your company does business?—A. No. I pointed that out. That is not the way. That is the way it was handled at that time. I wanted to point out that—

Q. Just a minute—Have you changed your system since that time?—A. Yes.

Q. You have?—A. Yes.

Q. Has the plant changed ownership?—A. The plant has not changed ownership, no.

Q. When did the new system go into effect?—A. Last fall.

Q. Last fall?—A. In September.

Q. So that the system which is now in effect in the company is not the same system which was in effect during those nine months?—A. No. That is what I pointed out this morning.

Q. From January to September, 1931?—A. That is so. That is what I pointed out this morning.

Q. In the preceding period, from January to September, 1931, the company apparently then did business on a more or less—well, I might say chance basis?—A. Well, I think, Mr. Bowman, it was the case of a company which has grown very rapidly from a small organization to a large organization, and they had not stopped to sit down and figure out all those matters; and we are still figuring some of them.

Q. How long had this company been doing business?—A. A good many years.

Q. Prior to January, 1931?—A. A good many years.

Q. How many?—A. Some twenty odd years.

Q. Well, surely to goodness it does not take the company twenty years to arrive at a uniform system?—A. Mr. Bowman, they failed in 1926.

Q. Well, having failed in 1926—A. In the fall of 1927; excuse me.

Q. Having failed in the fall of 1927, it would be all the more reason why they should get the new system on a sort of businesslike basis.—A. It takes a certain length of time.

Q. It surely does not take five years to arrive at a method?—A. We are improving every day.

Q. You are improving every day?—A. Yes.

Q. Thank goodness for that.—A. Might I give you our figures, those figures for the twelve months?

Q. All right, give them.—A. In the twelve months, the milk that went into butter—

Q. What year are you talking about now?—A. 1931. I am staying with that year. I want to point out that the regular patrons of the company in that year got everything that they were entitled to. In the twelve months, butter, 131,000—I will just give them roughly, and give you the total—131,000. Skim milk, that is milk that was skimmed and the cream either transferred in most cases to butter, and in some cases to ice cream, but in most cases just to butter, 1,000,000 pounds and loss 178,000. In other words, the surplus on that basis was 1,363,000 pounds, and they only paid a surplus on 1,338,000 pounds. In other words, they paid a surplus on some 30,000 pounds less than what they actually had. Turn it around the other way, and take the milk that went into the various creams and went into ice cream, that amounted to 1,401,920 pounds, and yet they paid the full price for 1,460,479 pounds; so that I just want to get the figures before you, so that they are fair.

Q. Can we place any more dependence on those figures for the whole year, 1931, than we can on the months you have given us?—A. Each month was probably estimated in the same manner, but it gave the total that the farmer was paid; although, mind you, I am not retreating from my statement that surplus milk is everything except on net fluid milk sales; but in spite of that fact this company paid for all their milk that went into their cream and ice cream at the full association price during that year.

Q. Quite true.—A. And some more.

Q. But based on that fact, there apparently was no uniform practice?—A. No. I quite agree with you, and there are a great many companies to-day where there is still no uniform practice. If you look at the evidence that has been submitted in the past session, I am sure you will see that there is a great difference between the ideas of the various companies, and a difference in the method of paying.

Q. Quite true; but each company surely has some uniform system of dealing with the farmer from month to month. They do not surely change their system overnight?—A. From looking at some of the evidence, I would say that some of the companies' systems were not a great deal better than this.

Q. Which you admit has its faults?—A. I certainly do.

Mr. BOUCHARD: Mr. Chairman, I think we heard evidence, an answer of a previous witness this morning that there were systems where they were paying according to certain agreements, that all companies had agreed.

The WITNESS: No, that is just the trouble, that there is no agreement on this milk that goes into ice cream and creams. If there was, we would be only too willing to-day to follow it, because then we would be on the same basis as every other company. Instead of that, we have a basis which we try to make as fair as possible to get shippers and to get cream when we want it; and

another company follows another system. I think there is one company in Montreal that pays three different prices, but the final result to the farmer I do not believe, in that case, is any better than our final results.

By Mr. Bowman:

Q. I know, but here is the point. Surely there must be something wrong with a system that in one month you pay to the farmer 40,000 more or less, based on a surplus, than he is entitled to, than you do following the same scheme in the preceding or following month.—A. You take in July, there was far more ice cream made, or stored up, than in August; because our sales were dropping, and our stocks were dropping. September would appear a very small month for ice cream. You take ice cream in August, 136,000 pounds, it was a lot more than in September.

Q. But the very funny thing about it, Mr. Graybill, is that if we accept the statement which you are now making, the figures— —A. How do you mean?

Q. Well, you gave us figures for the month of August.—A. Yes.

Q. First of all you have shown us that there was actually charged to the farmer for surplus 147,661 pounds, leaving 163,362 upon which the company then absorbed the loss.—A. Yes.

Q. But when you take into consideration ice cream and these various other items, table cream and plant sales the amount totals 204,000 pounds; in other words, 40,000 pounds more than you say upon which you absorbed the loss.—A. In the month of August.

Q. In the month of August?—A. That is right.

Q. If we take the statement you have just made obviously August should in that respect be not so profitable a month as July?—A. It was not, you take in July there was 166,000 pounds went into ice cream and in August only 136,000 pounds; that is, there were 30,000 pounds less in August than in July; and therefore we paid less to the farmer.

Q. Yes, and a little further down you show 38,600 pounds of ten per cent cream, but the final net result is that you have 190,000 plus 13—that makes 204,000 pounds on which, if you had followed the same principle as in the preceding month you would have accounted to the farmer for?—A. Well, that is true. I mean, I have explained that. I don't agree with the system.

Q. In other words, in that month you did not account for?—A. We offset the month before, that is exactly what they did.

Q. One month you took 40,000 pounds off?—A. You have a different system to consider there.

Q. Would you say that that was the system upon which you had been doing business until September last.—A. I would not want to go as far as saying that without examining the records.

Q. How far would you go?—A. Since September we are on a proper basis.

By Mr. Tummon:

Q. Let us get down to the present, if we can. Can you tell us what the average butterfat content is of the milk that you are receiving now?—A. I think it is about 3·5.

Q. 3·5. All right, we will take that. What price do you pay for milk?—A. In the month of March—that is the only month I have figured for—we paid $1·337 per hundred pounds on the average for all milk we received.

Q. That is the average, irrespective of butterfat?—A. No, no; there is a difference in the amount of butterfat, and in some cases we have dirty milk, or penalized milk, that we feel was not as clean as it should have been.

Q. A little less for low, and with high butterfat at a little premium?—A. Yes.

Q. That was the average price per hundred pounds which you paid f.o.b. your plant.—A. F.o.b. our plant, and the association price during that period is $1.35.

Q. What was the surplus price?—A. We paid a price of $1 for the surplus.

Q. How much surplus did you have in March?—A. I can't give you that figure, I only brought the information that was asked me in the telegram; but you can see that it was not a great deal as our price is only figured 1½ cents below the association price. You take in the month of February our average price was $1·365, we paid for our surplus in February an average of $1.35.

Q. Do you still contend that all milk not required for fluid milk delivery is in reality surplus milk?—A. Is in reality surplus milk when you are considering the fluid milk market.

By Mr. Bowman:

Q. But it has not been treated as such by your firm?—A. It has not been.

By Mr. Tummon:

Q. How long since you started to pay the higher average prices?—A. Well, I don't—you take here: October we paid $1·258 and the price was $1.35; in November we paid $1.43 when the price was $1.35; in December we paid $1·615 when the price was $1.66; and in January our average price was only $1.50 when the price was $1.60.

Q. I think this morning you gave us the percentage of spread between the purchased milk, did you not?—A. I did not give you the percentage, no; I just stated that I gave you our selling price during this period; and therefore I said that our spread was ten to twenty per cent less than our competitors.

Q. You did not give us the figures though?—A. No.

Q. Have you them?—A. No, I could not give you the cost of a bottle of milk and compare it with the selling price of a bottle of milk.

Q. How many grades of sweet cream do you sell?—A. Three.

Q. Three grades, and you call them—A. We call them cereal cream ten per cent, table cream twenty per cent and heavy cream or whipping cream 35 per cent.

Q. You sell that by the pint or the quart?—A. In all quantities, half-pints, pints, quarts and gallons.

Q. Give us the prices at which you sell them now, by the pint?—A. Do you want the retail price or the wholesale price.

Q. The average price.—A. I can't give you the average, you have to take into account the quantity.

Q. All right, give us the retail price?—A. For the ten per cent in pints, 14 cents.

Q. 14 cents per pint, that is for the ten per cent; what is the quantity that is sold at that retail price.—A. I am giving you the price to-day, but I haven't got to-day's sales.

Q. Have you your wholesale price there?—A. 12 cents.

Q. Now, your 20 per cent.—A. We don't sell that in pints retail and in pints wholesale it is 20 cents.

Q. Your 35 per cent.—A. We don't sell that in pints retail and in wholesale it is 25 cents, I think—yes, 25 cents.

Q. 25 cents per pint.

The CHAIRMAN: It is all sold as half pints.

The WITNESS: To the retail, yes, sir—we have tried to eliminate the pints.

By Mr. Tummon:

Q. When you made the statement that a certain number of pints went into this grade of cream, what did you really mean?—A. That is just what I meant. You take, sometimes our whipping cream may average, after we have got it, in the basins, more than 35 per cent, and therefore it is reduced to 35 per cent with milk; and the same way with table cream, which is reduced to 20 per cent—the law says that the cream cannot register less than 20 per cent, that is a new law in the province of Quebec.

Q. You buy the sweet cream really that you intend to deliver as sweet cream as sweet cream.—A. Not all of it.

Q. Not all, but you make it a point to buy practically the main part of it.—A. We buy all the sweet cream we possibly can.

Q. Then, if it is not just the way you want it, you separate some of the other fluid milk?—A. That is the way any dairy does.

Q. And arrange it that way?—A. Yes. If we don't do that, the law says that when we specify 35 per cent, we have got to have 35 per cent.

Q. Nevertheless the fact remains that if you separated in any one month 40,000 pounds of fluid milk it went into these different grades of cream which you have indicated, and you got a better price for it than you would have if it had been delivered as fluid milk?—A. I don't think so, we have a certain amount of processing to do on that milk to get it into cream. We would much prefer to buy the cream as sweet cream.

By Mr. Bowman:

Q. Do you mean to say, Mr. Grabill, that you don't know whether or not it pays you just as well?—A. We know it pays us far better to buy sweet cream as sweet cream.

By Mr. Tummon:

Q. The point which I am trying to get at is to know, no matter how much fluid milk you take, you say it is supposed to be classed as surplus milk?—A. Yes. Some companies might be classing it as sweet cream milk—they just make that little difference.

Q. Yes, but you say it is rightfully classed, according to your idea, as surplus milk?—A. Yes, sir.

Q. Now then, on that basis, suppose you were to take your surplus, even if you took a certain amount of that fluid milk—40,000 pounds of that surplus—you separate and use the cream obtained from that milk to bring up your other grades to the average that you want?—A. No, we don't use the cream obtained from that milk; we use the milk itself in some cases.

Q. Then, you get better than ever. You sell that milk at cream prices, that is the milk that goes into reducing it.—A. Pardon?

Q. Then, that surplus that goes into the cream to average it, you get paid for it at cream prices, if you don't separate it.—A. Yes.

Q. If you took 50 quarts of your milk for that surplus price and put it into your cream to bring your cream down, you would get paid for that 50 quarts at cream prices.—A. That is just what I have been indicating—that we do not do that.

Q. I thought you told me a minute ago that you do not separate. What do you do?—A. We have bought, if you want to. There is some milk skimmed and some milk was used as straight milk.

Q. But is it not a fact, Mr. Grabill, that no matter which way it would go into sweet cream, it would be more profitable than if it were delivered as fluid milk?—A. I would like to figure it out and see, I don't know.

Q. You won't say that it is not?—A. I don't want to make any statement about it, I have never had to figure it out. We don't buy milk intentionally to put into cream.

The CHAIRMAN: That is, because you could buy the sweet cream cheaper as sweet cream than you could buy the milk at association prices.

By Mr. Bowman:

Q. Now, Mr. Grabill, you are surely not quite fair to the committee, are you, in contending that you do not know whether whole milk converted into cream and sold as cream does not pay just as well as whole milk sold on the street?—A. It depends upon the price at which we buy that milk.

Q. What is the experience in this business?—A. If the two prices are identical, there would be no difference. If the milk was bought say with the butterfat in it,—the sweet butterfat in it—or the same price as we are paying for butterfat—

The CHAIRMAN: No, no; that is not what Mr. Bowman means. If you buy milk at association prices, for instance; and in one case you dispose of it as sweet cream while in the other case you dispose of it as fluid milk, in which case do you make the most profit?

The WITNESS: I do not know.

By Mr. Bowman:

Q. How many years have you been in business?—A. Over five years. You see, also, the association price changes every once in a while.

Q. Yes, so does the cream. Now, your company in the two months that you gave to us; in one month you allowed to the producer for milk that was turned into ten per cent cream 46,010 pounds.—A. Yes.

Q. According to the information you just gave us, and in the other month? —A. 38,049 pounds.

Q. Do you mean to say that your company don't know what it is doing when they are allowing these prices to be paid?—A. But, Mr. Bowman, we don't figure it in exactly the same way as you are asking the question.

Q. Well, give us in your own way, please.—A. Well, if you would let me figure it out, I would like to have time.

Q. This is no question of figuring out, surely to goodness a company that has been doing business as long as this company has been known on what sort of a basis it is doing business.—A. I would say so.

Q. I would think so, although I sometimes wonder. Will you clear this one point up, please? The Chairman put the question very clearly—whether or not the milk purchased at association prices pays more, or less, sold on the street than converted into cream and sold as cream.—A. Well, I am sorry I could not answer your question without figuring it out.

The CHAIRMAN: Well, Mr. Bowman, if you are through there I would like you to pursue that same line of questioning in connection with ice cream.

By Mr. Bowman:

Q. Can you give us the same information with respect to ice cream?—A. Of course, when we are selling ice cream we are not selling fluid milk.

Q. I understand, but you are using fluid milk in that ice cream.—A. Yes, but in that ice cream we also have certain qualities of condensed skim milk, or skim milk powder and a certain amount of fresh milk, if we have it available, and sugar and flavours, and so on; and we are selling it at considerable cost for delivery services, and we have cabinets supplied in the stores, and advertising and so on.

Q. Can you state generally how does it pay you in comparison to sell the milk by the bottle in the ordinary way?—A. I don't know how you can get an answer to your question.

Q. Do you mean to say, that you cannot answer?—A. I do not know how you can get an answer.

Q. But you say you can't answer.—A. Not that actual difference. I don't see what bearing it has right here.

Q. What? You don't see what bearing it has to the dairy man who has to meet this tremendous surplus which your company has?—A. We know that it goes every day into some of your by-products, your ice cream and the other different things.—A. Oh, yes, that is right.

Q. What would that be based on?—A. Oh, that would be based upon, first demand and then on the price at which sweet cream is at the time; and the demand for ice cream. If we did not have a milk surplus alongside of us we would be buying only sweet cream to make our ice cream.

Q. Yes, but as a matter of fact, you have shown us quite clearly that often your so-called surplus each month, a very large amount, is used for table cream.—A. That is right.

Q. And in the summer months a very large amount is used for ice cream.—A. Yes.

Q. And you have actually paid the producer for a considerable proportion at least, on the basis of association prices. Is that right?—A. That is right.

Q. Well, do you not find that it pays you?—A. When we sell our products, it certainly pays us.

Q. Which is the most profitable way of selling this whole milk, either as whole milk, or as ice cream, or as table cream?—A. You see, I would have to take the quantity of butterfat in whole milk, and figure out what it costs, buying it as whole milk, and then compare that with the selling price of a particular product about which you may be talking. On that basis we could give you some idea.

Q. All right, take the average for last year—can you find that?

By the Chairman:

Q. You have in your surplus butterfat milk on an average basis. That, in my judgment, is the most important factor of this whole thing—that the farmers are not satisfied with their surplus milk and how it is disposed of, and your charge to them as surplus milk. They are suspicious that the surplus milk is disposed of as sweet cream and ice cream often at a greater profit than for fluid milk, Mr. Grabill.—A. There are so many other things enter into the manufacture of ice cream—fluid milk is a very small proportion of it.

By Mr. Bowman:

Q. You made the statement that fluid milk is a very small proportion, of what?—A. Of ice cream.

The CHAIRMAN: In fairness to yourself I think you should clear this up, because you with other companies are under suspicion.

The WITNESS: I would be very willing to figure these things out and send them up to you, or I can do it if you care to wait.

By Mr. Bowman:

Q. We don't want to know the figure down to the last decimal point, what we want is more or less general information, that is all. Surely you could give us this, can tell us for the year 1931 whether or not your ice cream business, your table cream business, etc., paid you by purchasing milk at association prices.—A. But, you see, we did not get all our table cream from fluid milk; we bought a lot of sweet cream.

Q. Yes, we would have to figure it out.—A. We would have to know how much sweet cream was purchased as sweet cream, in order to get at the details of the matter.

Q. Do you know whether your company have records which show that, the records do show that, don't they.—A. I have those figures with me.

Q. You have, then give us the cost for July.—A. I have just given you the average milk that went into these products.

Q. What I want to know is whether it paid you to pay this price, or whether you are paying him too much, as a matter of fact, or too little for the milk which you treated as surplus.—A. I say we didn't. I assume—I hope we did not.

Q. Do you know?—A. I do not know. I want to figure that out.

Q. I must say, Mr. Chairman, that surely this is a point that this witness can clear up for the sake of the reputation of his own firm. Somebody from the company surely can clear up this point for the reputation of the company that is doing business. It is surely in the interest of this company that they shall show that the by-products have been paid for at reasonable prices in accordance with the going prices at the time.

The CHAIRMAN: You mean with regard to the milk that has been transferred into by-products?

Mr. BOWMAN: Yes.

The CHAIRMAN: It is one of the most vital parts of this investigation.

The WITNESS: I have told you what we paid for this milk.

By Mr. Bowman:

Q. We want to know whether it was a fair price or not according to what you would get for the products into which you converted it?—A. I can give you my opinion.

Q. You have not been giving it?—A. I think it was a fair price.

Q. On what do you base that opinion?—A. On the price of fluid milk. It costs more to purchase milk to sell as fluid milk than it does to sell as cream.

Q. It costs what?—A. More money to purchase fluid milk to sell as milk than it does to purchase milk for cream or ice cream.

Q. You make more money out of fluid milk when it has been converted into cream or ice cream?—A. I cannot answer that question.

Q. You have already stated that?—A. I said it cost the farmer more money.

By the Chairman:

Q. I would like to ask one question. Mr. Grabill, I think you mentioned one time, a short time ago, that the sweet cream that was derived from separating fluid milk compared with the sweet cream that was bought?—A. Cost more money.

Q. Cost you more money?—A. Costs more money to buy it as milk at association price.

Q. If you settled for it on the basis of the surplus price do you pay more for it than you would buying sweet cream wholesale for your sweet cream and ice cream trade?—A. To sell as creams?

Q. Yes: If you settled for it at a higher price than you would if you bought it as sweet cream?—A. We have, yes. You are taking the year 1931. We paid more money for the fluid milk that went into cream and ice cream than for which we could have purchased cream to put into these products.

Q. You are sure of that?—A. Yes, I am sure of it.

By Mr. Bowman:

Q. Have you any evidence to support that?—A. You take in January. The sweet cream was paid for at 36 cents a pound of butterfat and the whole milk was purchased at $2.40 a hundred pounds. Now, if that milk averaged 35 to 37 cents, it would not make any difference. Supposing it averaged 4 per cent, that would mean we were paying at the rate of 60 cents a pound for the milk purchased as fluid milk, whereas our sweet cream was only bought at 36 cents.

Q. I cannot follow that reasoning at all.

By the Chairman:

Q. Mr. Grabill, with regard to the milk that you converted into sweet cream and ice cream, do you mean to say now that you settled for that at association prices?—A. We did in the year 1931, if that is what you are discussing. As I pointed out we paid at association prices for more milk than what we used in creams and ice cream.

Q. But awhile ago you told the committee that you didn't think—A. That should be done. That is right. I do not think it should be done. That is a personal opinion. In 1931 I am relating facts—what was done.

By Mr. Tummon:

Q. Mr. Grabill, you said that the average price paid for your milk now was $1.33\frac{7}{10}$ per 100 pounds?—A. Yes. I just happened to have that figure here, because it was on the tail end of another sheet.

Q. You told me awhile ago that in order to bring your cream up to a certain point in some cases you separated the fluid milk that went into cream as well?—A. Not to bring it up, but to bring it down—you see.

Q. You separate it to bring it down?—A. No. We do not separate it; we add whole fluid milk.

Q. To bring it down?—A. Yes.

Q. Sometimes you separate a certain amount of your fluid milk that goes into sweet cream?—A. And then the cream may be sold as sweet cream.

Q. At other times you add milk. Supposing you are going to sell a heavy cream and you took a test of it and it was 37?—A. We would add milk; or, instead of that, we might have some lower fat cream if we had any available—if we had enough 30 per cent.

Q. Quite often you would take milk?—A. Quite often we would take milk, although as pointed out here it does not happen very often with the 35 per cent. In September, 1931, there was no milk went into heavy cream.

Q. What did it go into?—A. Into 10 per cent cream, 36,190 pounds; that is besides ice cream.

Q. Let us take an illustration. Supposing you had a quantity of cream here and you wanted to bring it down and you added 10 quarts of milk, that cream would cost you approximately around 3 cents a quart, would it not?—A. Well, at to-day's prices it would be about $3\frac{3}{4}$, would it not?

Q. Three and one-quarter?—A. Three and three-quarters.

Q. Very well, then, 10 quarts of fluid milk at $3\frac{3}{4}$ cents. Supposing you put that into cream, what would you sell it at? That would be 10 quarts of cream, and at your price of 14 cents a pint you would be selling it at 28 cents a quart?—A. Oh, no.

Q. Why?—A. Because there is also butterfat.

Q. You have bought the rest of it already and paid for that; you have taken the fluid milk?—A. Yes, but to get your average price you would certainly have to average the cream and milk that went into that product.

Q. Nevertheless, you have bought that 10 quarts of milk.

By Mr. Bouchard:

Q. If the cream is nothing else but milk there will be a little more fat?—A. That is all.

By Mr. Tummon:

Q. But he has bought the sweet cream?—A. It is all mixed up.

Q. Yes. I know that; but it is 10 quarts in bulk, the same as you take it from fluid milk and put it into cream. There is 10 quarts more in value in cream?—A. You have to figure the cost of the cream in that.

By Mr. Bowman:

Q. In the month of August, 1931, what did your company pay as the association price?—A. In August?

Q. Yes.—A. 1931?

Q. Yes.—A. The association price was $1.70.

Q. And what was paid for surplus?—A. Seventy cents.

Q. That is a difference of a dollar a hundred pounds?—A. That is right.

Q. In other words, if we accept the figures that you gave us a little while ago in regard to the matter of surplus in that month in which you figured there was a difference of 40,000 pounds, it would mean a difference of $400?—A. That is right.

Q. So, in other words, in one month you pay the farmer $400 too much and the next month you pay him $400 less than he should have received?—A. That is right. Last week for butter it was 35 cents and Monday this week 31—not because we wanted it.

Q. Now, that is not the difference as you very well know; it was because you had not followed the same system. That is what you told us a moment ago. In the month of July you had 20,000 or 30,000 pounds less and the next month you had 40,000 pounds over?—A. That is right; and in July we paid them too much money.

Q. You paid too much money?—A. That is right.

Q. Oh, no; that does not answer the question at all?—A. Well, it does if we paid more for surplus than what we should have.

Q. Then, in other words, you fix the price or the amount of surplus by the price you have to pay the farmer; is that the idea?—A. The amount of surplus?

Q. Yes; by the price paid to the farmer?—A. Oh, no.

Q. Well, that is just what you have told me?—A. In what way.

Q. You said that if in the month of July you had to pay more to the farmer why your surplus is going to be that much greater. Is that what I understood you to say?—A. No. I cannot see that.

Q. Let us get back to the point I made a moment ago. In the month of August there was a difference of 40,000?—A. That is right.

Q. Which at $1 per hundred pounds would be $400?—A. In the month of August?

Q. Yes.—A. That is right.

Q. The preceding month it was the reverse?—A. It was the reverse.

Q. Somewhere to the extent of between 200,000 and 300,000 pounds?—A. 200,000 and 300,000 pounds? No, not quite that much.

Q. Something like that. I mean 20,000 or 30,000 pounds, not 200,000 pounds or 300,000 pounds. In any event, Mr. Chairman, the point I am making is that the price in any one month depends upon which system is followed. The farmer gets paid perhaps $200 or $300 or $400 more than he should and the next following month he gets paid $200 or $300 or $400, as the case may be, less than he is entitled to depending upon which system is followed?—A. Yes, and that is substantiated by the variance in the quantity required. There was less milk required for ice cream in the month of August than there was in September by some 30,000 pounds.

Q. I am sorry that is not the effect of your evidence. The effect of your evidence is that you used different systems from month to month.

The CHAIRMAN: Is the committee satisfied?

By Mr. Bouchard:

Q. What do you do with your skim milk?—A. Sometimes it goes down the sewer and sometimes it is sold.

Q. You never thought of making anything of it?—A. Well, the skim milk that we have from separating returns and raw milk and so on could only be sold in a powder shape for chicken feed. It could not be sold at a reasonable price, and the cost to make chicken feed would be exorbitant for our quantities.

Q. But you do not think that in order to give a better return to the farmer, instead of buying bulk milk to get cream out of it you would rather buy cream?—A. We would far sooner buy cream.

Q. And leave the skim milk?—A. If the farmer would separate his milk at the farm and ship out the sweet cream we would be delighted.

Q. Have you done anything about that?—A. Yes, we are writing them letters all the time, but just as soon as we advise them that we do not want their milk as fluid milk, that we cannot sell it, then they look up some other place and sell it in that other market at a lower price than they were getting from us.

Q. And do you sell milk back to the farmer?—A. The skim milk? Of course, we are located in the city and no farmers come to our plant.

Q. But when your truck goes back to the farmer?—A. The truckers will not take it back at any price that makes it worth while for the farmer to take it.

Q. What do you think makes it worth while?—A. What is it worth to the farmer? In the city we sell it at from three-quarters of a cent to one cent a gallon, and the man to whom we sell it, when he will take it, always owes us a three or four month's balance. We are just taking a chance that we will get our money sometime.

Q. You would consider the butterfat as the measure of the commercial value of the milk?—A. Of that surplus milk?

Q. Of any milk?—A. Of that surplus milk, if you want to purchase all the fluid milk on a butterfat basis that would be quite fair if everybody else was on the same basis and somebody else bought that way.

Q. Why is not all milk paid for according to butterfat, if that is so?—A. That is something I cannot answer. It would look as though that would be a fair way of doing it. This is a personal opinion. I cannot speak for anybody else.

Q. Don't you think, personally, it would be a fairer deal to the farmer?—A. It would again depend upon the testing of that milk in the particular plants; if they wanted to report a fictitious test, lower than what it was actually, the farmer would not get any more money, you see. You see what we are trying to do now is, as I say, that we do not want milk below 3·5 for fluid milk, and we are telling the farmers that every day, and we do not want milk that is not properly produced, and we are telling them that also—that if it comes in with sediment he gets a letter back. If he gets too many letters back we tell him that he will have to hold his milk; we cannot sell it.

Q. Your tendency is not well in keeping with the interests of the farmers?—A. In their interests?

Q. Yes; to improve the quality of his milk?—A. Yes. We write him a letter and tell him—why don't you buy some jersey cattle to put in with your herd?

Q. But if he is not paid in proportion with the butterfat—A. He is in competition. We do not want milk below 3·5.

Q. Below 3·5; but above 3·5?—A. Above 3·5 we will pay him.

The CHAIRMAN: A premium?

The WITNESS: A premium.

By Mr. Bouchard:

Q. What kind of a premium—if the butterfat is sold at 40 cents a pound?—A. It does not vary with the butterfat price. You see, when the association set their last price—the association set their last price on the 1st of February at $1.35. Now, I have paid for sweet cream since the 1st of February, in February 28½ cents, in March 30½; but the price of milk did not go up.

Now then, you take last fall, the first of December, the price of milk was $1.60, and yet it continued at that until the end of January. The butter price varied from 24·3—no, from 25 to 24·1—

Q. Yes?—A. There was no great variance there.

Q. If one customer supplied you milk of 3·5, for which you pay, let us say, 40 cents a pound of butterfat or 50, or whatever you figure.—A. When we buy sweet cream?

Q. No, milk. Suppose you have two neighbour farmers coming in with a hundred pounds of milk, and one has 3·5 milk, and the other has Jersey cow milk at 4·5?—A. Yes.

Q. On what basis would those farmers be paid?—A. On the basis of surplus—

Q. Would you actually put it in figures?—A. They are being paid on the basis of surplus plus premium. They are being paid a premium of 3 cents per pound of butterfat.

By the Chairman:

Q. In this case it would mean 30 cents.—A. Yes, that would make it $1.65 for the one man, and $1.35 for the other man.

By Mr. Bouchard:

Q. You pay each of those according to the butterfat, as applied to butter?—A. No.

Q. Or on the surplus cream?—A. No, that is a set price, a set premium.

Q. That does not vary much?—A. In the past it has not varied with the cream.

Q. It does not vary with the butterfat?—A. Some companies pay, and some companies do not pay anything.

Q. I do not think that is a fair basis.—A. Of course, I am not here to—

Q. Because the tendency of the farming industry is to increase the percentage, is it not, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Bouchard:

Q. To increase the butterfat in the milk, but it is a disheartening feature in your industry.—A. Well, of course, the farmer should attempt to produce a milk of the average butterfat content which would give him the best price per pound of butter.

Q. We induce the farmer to make a better selection of cattle, to improve the quality of his milk, and when his milk reaches the market, he is not paid for it, so there is no inducement to the farmer to improve the quality.—A. The only inducement at the present moment is that the best grade of milk is being purchased, and the poorer grade, if there is a surplus, is being turned aside. That is the only inducement there is right now. For instance, when we are cutting off, when we have to cut off some shippers as we did last month,

we take the farmers that continually were shipping milk with sediment in it, or too much sediment, or other farmers whose milk tested too low. For instance, there were some shipping in three per cent milk. We cannot sell three per cent milk. The law says 3·25. So, when we get that milk it has to be built up to the law's standard by some other persons' high butterfat milk. Instead of doing that, we are just cutting them off, after telling them. We give them warning. I saw a letter last week, the fifth letter where we pointed out to a farmer his butterfat content was too low, it would not answer our requirements. At about the sixth letter we will tell him we cannot do business with him any more.

Q. When it is too low?—A. The same thing applies when not clean enough.

Q. When it is too high?—A. No, when it is too high—

Q. When it is too high I do not think you offer him a fair price.—A. Of course, as you know, we are in competition with other dairies. We are in competition.

Q. Yes, I am not personal in this regard, because I think it applies as well to the others. I think you should come to some understanding so as to obviate that.—A. We would be glad to.

Q. To make the development of your industry on a parallel with the development of the agriculture industry?—A. We would be very glad to. In regard to that 3 per cent milk, which we won't take, what happens to it? A man goes around and finds some other dealer in the city who will take it at a price. He buys, as was pointed out here in evidence, and as happened actually last year, at anywhere from 50 to 60 cents a hundred pounds less than we are paying, which enables him to cut our prices in the city.

Q. You have to admit that the system as applied to the ordinary product is satisfactory?—A. Yes.

The CHAIRMAN: Are there any further questions?

The Witness retired.

Mr. TUMMON: I should like to have Mr. Roberge recalled.

Mr. ROBERGE recalled.

By Mr. Tummon:

Q. Mr. Roberge, have you some blank paper and pencil?—A. Yes.

Q. You have had a great deal of experience, 12 years of experience in the milk business?—A. Yes.

Q. Figuring butterfat and such like?—A. Yes, sir.

Q. Let us as an example, take 100 pounds of 3·5 milk.—A. Yes.

Q. I should like to know how many pounds of 10 per cent cream that will produce?—A. 28 pounds.

Q. 28 pounds of ten per cent?—A. Because, if you take a gallon, which is 8 pounds, that means 10 pounds of cream by 10, which means one pound of butterfat. If you have a hundred pounds, it represents $3\frac{1}{2}$ pounds of butterfat multiplied by eight pounds, which would represent one pound of butterfat. That means 28 pounds.

Q. There would be a certain amount of loss in the operation?—A. There is a loss in the pasteurization. When they pasteurize they have a loss of $2\frac{1}{2}$ per cent.

Q. Let us take that off, then.—A. Yes, it means $2\frac{1}{2}$ per cent of the hundred pounds.

Q. Suppose that 100 pounds of milk was bought at $\$1.33\frac{7}{10}$?—A. A hundred pounds?

Q. $\$1.33\frac{7}{10}$?—A. Yes.

Q. Supposing 28 pounds were sold at 28 cents a quart, 14 cents a pint?—A. That means a gallon is sold at $1.12.

Q. Can you put that into a hundred pounds?—A. Yes, I will.

Mr. GRABILL: May I make a request? I would request that this be taken as a hypothetical case, not to be set up as what we do. We are assuming figures here, and quandaries, and so on. I wonder if that would be out of order.

The CHAIRMAN: In other words, you mean to say that that is not the method followed?

Mr. GRABILL: You are assuming to advise an individual to figure on a certain quantity of assumptions.

Mr. BOUCHARD: The figures will speak for themselves.

Mr. GRABILL: Well, let us set it up as a hypothetical case.

Mr. TUMMON: This question is not being asked to apply to Mr. Grabill's company at all. This question is being asked in order to supply myself and other members of the committee with certain information.

Mr. GRABILL: That is all I want.

Mr. TUMMON: Not knowing how many pounds of 10 per cent, 20 per cent, and 35 per cent cream can be produced from 100 pounds of milk, a hundred pounds of 3·5 milk. This information is for the general information of the committee.

The CHAIRMAN: The question is not directed to any company.

Mr. TUMMON: No, it is not directed to any company. I want to say in all due respect to Mr. Roberge that I have sat here and admired his figuring. I considered he had personal experience, and thought we could probably get some information that so far I have not been able to get any place else.

By Mr. Tummon:

Q. What would that 100 pounds of milk sell for?—A. $4.

Q. Exactly $4?—A. Yes. You take 14 cents per pint; there is eight pints in a gallon; that means $1.12 a gallon. That represents one pound of butterfat. In 100 pounds there is $3\frac{1}{2}$ pounds of butterfat. If you wish to find out what number of pounds of milk represent one pound of butterfat, it is exactly 28 pounds of milk. Twenty-eight pounds of milk of $3\frac{1}{2}$ per cent represents one pound of butterfat. If you want to know—if 28 pounds of milk represent $1.12, 100 pounds will represent $4.

Q. One gallon of milk represents one pound?—A. One hundred pounds.

The CHAIRMAN: One hundred pounds.

By Mr. Tummon:

Q. All right; you say $4?—A. Yes.

Q. Now then, take the same 100 pounds of milk, 3·5 and 20 per cent cream; would that produce 14 pints?—A. At 20 per cent?

Q. Yes, that is twice the butterfat of 10 per cent. Just figure that.

By Mr. Bouchard:

Q. Don't you think if you cut it in two, you would be all right?—A. I beg your pardon?

Q. If you cut it in two, the volume, would it not be all right?—A. That is what I am checking up.

The CHAIRMAN: I am very much inclined to doubt the accuracy of that.

The WITNESS: That will be 14 pints.

The CHAIRMAN: I say I am very much inclined to doubt the accuracy of that, but go ahead.

Mr. TUMMON: I would like to know why you should doubt the accuracy of it.

The CHAIRMAN: Because I don't believe that is the method by which that cream is produced. I would like to have the method explained by which that cream is produced.

Mr. BOUCHARD: Change the rate.

Mr. BOWEN: The specific gravity.

Mr. BOUCHARD: Yes.

Mr. TUMMON: I can't say; perhaps it does, but I can check it up.

The CHAIRMAN: Very well, pursue what you want to.

Mr. TUMMON: I can check it up with the ready reckoner that is used by practically all the dairies.

The CHAIRMAN: Very well.

By the Chairman:

Q. Fourteen, you said?—A. Fourteen pints.

Mr. TUMMON: It is just half.

Mr. BOUCHARD: It could not be otherwise; a slight difference in specific gravity, that is all.

By Mr. Tummon:

Q. Do you know what the selling price of that cream would be, about?—A. It is 20 cents a pint, is it not?

Q. 20 cents a pint, yes.—20 cents a pint.

Q. That would be $3.60 a hundred, would it not? That 100 is what it would be turned into 14 pints at 20 cents a pint, $2.80.—A. $2.80.

Mr. TUMMON: That will do me, for all I want.

The CHAIRMAN: Any further questions, gentlemen? Are you willing to release the witness? Very well, we will adjourn until next week.

Mr. TUMMON: Mr. Chairman, for next week the instructions that the sub-committee have is that for next Tuesday, April 18, Mr. A. H. Mercer, Vancouver, president of the Fraser Valley Milk Producers' Association, will be available as a witness. For Wednesday, April 19, Mr. F. O. Sargent, Petersfield, Manitoba, president of the Winnipeg Milk Producers' Association; for Thursday, April 20, Mr. C. T. Gooding, Saskatoon, president of the Saskatoon Dairy Pool; and for Friday, April 21, Mr. J. R. Love, Edmonton, representing northern and southern Alberta dairy pools. I think the committee before adjourning, should choose the hour that we shall meet, on Tuesday, April 18.

The CHAIRMAN: I am afraid of meeting in the morning on Tuesday, April 18, for fear that a lot of the members of the committee may not be back possibly until the afternoon train.

Mr. TUMMON: Make it 3.30 then.

The CHAIRMAN: Would the committee be satisfied to meet at 3.30? Carried.

The committee adjourned at 5.10 p.m. to meet on Tuesday, April 18, at 3.30 p.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 18, 1933

No. 17

Reference,—Milk and Milk Products

WITNESS:

A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, April 18, 1933.

The meeting came to order at 3.30 p.m. Mr. Senn, the Chairman, presided.

Members present: Messrs. Barber, Bertrand, Bowen, Boyes, Carmichael, Hay, Loucks, Lucas, McGillis, Moore (*Chateauguay-Huntingdon*), Mullins, Pickel, Porteous, Rowe, Senn, Shaver, Stirling, Tummon, Weese, Weir (*Melfort*), Weir (*Macdonald*), Wilson.

Mr. A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association, was called and sworn.

The witness addressed the meeting, outlining the scope and activities of the Association with which he is associated.

Questions by several members followed.

The witness retired, having been accorded a vote of thanks.

The meeting adjourned till Wednesday, April 19th, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Tuesday, April 18, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 o'clock, Mr. Senn presiding.

The Chairman: I have a letter here which I just received from Mr. Cousins, and I think it should be incorporated in the Minutes of Evidence. It is very brief, and I shall ask the Clerk to read it.

The Clerk: It is dated 12th April, 1933, addressed to Mark Senn, Esquire, Chairman, Agriculture Committee, and reads as follows:—

> Dear Mr. Senn,—In my testimony before the Agriculture Committee on Tuesday, in reply to a question, I stated that my full time was devoted to Ernest Cousins, Limited.
>
> What I really intended to convey was that all the time necessary for the successful conduct of the business was given by me.
>
> Will you kindly insert this in your minutes if you consider it necessary.
>
> Your truly,
>
> (Sgd.) ERNEST A. COUSINS.

The Chairman: It was our understanding at the last meeting that we should have Mr. Mercer of the Fraser Valley Milk Producers' Association with us to-day. I shall now call Mr. Mercer.

A. H. Mercer Called.

By the Chairman:

Q. You do not object to being sworn?—A. No.

Q. It has been customary so far.

Witness sworn.

Q. Give your full name and occupation to the committee.—A. A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association, Vancouver.

Q. It is customary for the committee to hear the report or such evidence as you wish to give first without questioning, and then for the committee to have the privilege of questioning you. Have you a statement to make?—A. Mr. Chairman and gentlemen of the committee—

Q. I may say, Mr. Mercer, the acoustics here are not very good, and if you will speak fairly plainly it will be better for the committee.—A. Thank you. As I stated, I am the general manager of a co-operative organization, known as the Fraser Valley Milk Producers' Association. This organization was first incorporated in 1913 as a result of the dissatisfaction of the services rendered by private interests to the producer dairymen of our area. I might explain that the milk shed of Greater Vancouver and New Westminster extends up the Fraser Valley approximately 90 miles, probably a hundred miles from the salt water to the end of the milk production area. The valley is an average

of 10 to 15 miles wide. As I said a while ago, this organization was brought into being as a result of the dissatisfaction with services rendered by private enterprises.

During that period or at least previous to that time, we had two creameries, a cheese factory and an evaporating plant in the district. We were members, of course, of the different handling organizations. We were very proud of them, the effort they were rendering, but as a result of the competition between the various operations, we naturally suffered. We incorporated our association in 1915. However, we could not get the organization to function until 1917. While we were ready and willing to operate, we could not get sufficient support to justify us to commence operations until 1917.

During that year we succeeded in signing up some 35 per cent of the producers in the area, and got together some $8,000 in cash and $12,000 worth of farmers' notes, and the banks very generously discounted the notes 50 per cent, giving us some $6,000 extra, leaving us with $14,000 to start with. Those men that were responsible for the organization at that time, intimated to us farmers up in the Chilliwack Valley that eventually they expected that they would require some $300,000. We thought they were crazy. We did not think there was that much money in British Columbia, and we did not expect they would ever attain their objective. However, they eventually did that, and we went on and began operations. We found that in the year 1916 previous, that is the year previous to the commencement of our operations, as near as we could discover, we found the total production in the area I have just described, of some 200,000,000 pounds butter fat. The average value of the butter fat during that year was approximately 45 cents. We have statements in our office of milk shipments by the Shawn estate, during the year 1916, the total milk supplied or sold to the fluid milk market and the average return during that year, for fluid sales, was 46½ cents, the men that were shipping to the cream and cheese factories, getting 35, 37 and 40 cents.

By Mr. Pickel:

Q. Per gallon?—A. Per pound of butter fat. I might say in British Columbia we deal entirely in terms of butter fat. We think we are conservative when we suggest that the average value of the pound of butter fat during 1916 was 45 cents. In 1917, as I intimated previously, we commenced operations. Our fluid returns that year was 65 cents. I might intimate that that was not all due to the fact that we organized ourselves into a co-operative organization. It was largely due to the fact that the war was on and war conditions and prices prevailed. However, we believe that we were more successful in taking advantage of that situation than we would have been operating as private individuals. I might say we were very enthusiastic over our voluntary co-operative effort. We feel we were justified in doing so, because after twelve years of more or less successful operation, we had increased the production from 2,000,000 pounds to 6,000,000 pounds of butter fat, an increase of 4,000,000 pounds of fat. Now, ordinarily, when you have an increase of that importance to take care of, you naturally expect a decrease in the unit return. Again, a unit is a pound of butter fat. After twelve years, practically the same conditions, in so far as values were concerned, prevailed. That is, the consumer was paying one dollar for nine quarts of standard milk in 1916, and he was paying the same price in 1928. We find that the pound of butter sold at approximately the same price, and we had, as I said before, an increase of 4,000,000 pounds of fat to take care of; but our average unit return in 1928 has increased from 45 cents in 1916 to 60 cents in 1928—approximately 60 cents; so we were very proud of our effort. I might go back a little, to the year 1924. We found that it was necessary for us to make certain important additions to our capital expenditure. That year we

floated a bond issue of some $417,000, in order to provide ourselves with sufficient equipment to take care of production. With that, the result of that bond issue, we purchased the interest of the Pacific Milk Company. The Pacific Milk Company was an evaporating operation that we had previously been selling milk to. They expressed a willingness to dispose of their interests, and after very serious consideration we purchased their interests. We figured that that plant could be made to pay for itself in ten years. By the way, we paid $150,000 for it. During that time and previously, we had also been selling milk to another evaporating company in the area. We were very glad to realize that after five years of operation, the Pacific Milk plant paid for itself, and we owned it. That is, the additional unit return that we got out of the results of operating our own plant, as compared to the returns we got from the other company, multiplied by the number of pounds of fat handled by our own plant, was sufficient to retire the investment in five years; so that we own the plant now.

By the Chairman:

Q. We have heard of other large companies doing the same thing.—A. I might say we knew nothing whatever about the business of evaporating milk. We were just an innocent bunch of farmers. However, we were fortunate in taking over the sales force as well as the operating force in the plant. I refer to employees. The trade was not aware, for several years, that the ownership of that plant had changed hands. I think that was probably a very nice situation, that it didn't know it. With regard to the bond issue that I referred to, of $417.000, we undertook to retire 10 per cent of those bonds each year. We have done that so far. We have taken care of our obligations for eight years. We have two years to go yet, and we do not have any difficulty in taking care of our obligations in that respect.

I might intimate, Mr. Chairman, that we do not purchase the milk from our members. They send it to us on consignment, and we show a unit return from each avenue of sale. Probably I should have intimated previously that we have several avenues of sale that we take advantage of. We are, or at least we were at that time, in the fluid business. We were also in the evaporating business, selling to a private company; and also in the business for ourselves, and we made butter and cheese including cottage cheese, semi-solids, milk powder and casein. We ship our products to many countries of the world as well as to the domestic market.

Q. When you say fluid milk, do you include sweet cream in that?—A. Yes. We regard the cream sales as a fluid sale and we also regard—at least, we did as long as we were permitted to do so—the sales to the ice cream trade as a fluid sale, although it is actually manufactured. We did succeed for a number of years (until comparatively recently, within the last couple of years) in selling butter fat to the icre cream trade on the basis of fluid values; that is, it was a slightly lower price, but it was more in line with the fluid values than with churn or cheese values. We became quite important. We were operating, as I intimated previously, under the voluntary system of co-operation, and we were very successful up to a certain point. We discovered that the more successful a voluntary co-operative effort is, the more attractive, or the more incentive there is to pull away from it. In other words, we built up a fluid value from 46 or 47 cents to approximately 70 cents, without having changed the price to the consumer. When that took place, as I intimated yesterday, our production was increasing very rapidly, from 2,000,000 pounds to 6,000,000 pounds during the twelve year period; and naturally it was quite a temptation for farmers who were having to submit to the pool value of the various avenues of sale I mentioned a minute ago, which was in the vicinity of 60 cents. The temptation to supply or at least market all of their milk in the 70 cent market we had

established was too great for a very large number of our members to resist, and they began to pull away from us, and concentrate on the 70 cent fluid market, with the result that it became more difficult, from time to time, for our organization to show the results that it was designed to show. When we saw that coming to pass, we naturally came to the conlusion that there should be some restraining influence brought to bear on the shipper, to prevent this effort from breaking down. It was then that we sought legislation from the provincial legislature, and after some three sessions we succeeded in getting what is known as the Dairy Products Sales Adjustment Act. Naturally, we were advised at the time that this act would not stand the test of the courts, and we were also advised by what we considered very high constitutional authority, that the act was quite perfectly all right. Well, of course we took the advice that we thought the most of.

Q. That suited you?—A. That suited us, that is right; and we proceeded to administer the act. We functioned under that act during 1931, and we enjoyed in that year the most happy marketing relations that we ever enjoyed in the city of Vancouver. However, the act was challenged and challenged successfully, with the result that eventually we were denied the right to use or enjoy the influence of that act, with the result also that the fluid value crumbled in six weeks from 73 cents a pound butterfat to approximately 35 cents. Now, to indicate the value of the influence of that legislation on our market during that period, I might suggest that the fluid market of greater Vancouver and New Westminster will absorb about 3,000,000 pounds of fat per year.

Q. In other words, about half of your production?—A. Well, our total production during that year was approximately 7,000,000 pounds. This is 1930 I am speaking of, 7,000,000 pounds of fat. To illustrate the value of the influence of the act on the market, you must multiply the difference between 35 and 73 cents per pound butterfat by 3,000,000 pounds of fat. That will indicate to you the value of the influence of that legislation to the farmers of our area. I might say that the farmers got all of that money. Now, since that time, we have sought to correct the situation by what we call the independent shippers. Those are men that refuse to associate themselves with our co-operative organization, because they suspected that we paid very high salaries, that we were handicapped seriously by over-capitalization, and all of these suggestions that are made and designed to embarrass the officials of co-operative movements; and they had their effect, I must admit, with the result that some two or three hundred of our members—at least, men who were shipping independently of our organization, who succeeded in breaking down the values, who realized what they had done, decided that they would not join our organization. We said the next best thing to do is to join an organization of their own, and if they could produce better results than we had produced, then, if they had not any objection, we would join their organization. However, we are struggling along now under the two co-operative organizations with the result that we have succeeded recently in re-establishing somewhat the fluid values in the city. To-day they have made arrangements with the various organizations, and they have raised the price of milk to nine cents a quart, and they are charging the dairies 46 cents a pound butterfat.

The store price is a cent below the wagon price and the store has a cent margin; that is, the store pays 7 cents and sell at 8 cents, and the wagon sells at 9 cents.

As a result of the legislation that I mentioned some time ago we discovered that in the city there was a tremendous lot of waste in distribution costs, as a result of overlapping on the streets in the business of distributing milk to the consumer. There got to be so many distributing agencies on the street that

their spread was not sufficient to take care of their costs and allow them a reasonable profit. They got together. They decided that they had to make one of three choices: they either had to increase their spread by paying the farmer less money for his milk; or charge the consumer more money for the milk; or get together and reduce the costs. They chose, of course, the middle course. They decided to amalgamate the various dairies in the city which they eventually succeeded in doing, and which is now known as the Associated Dairies. That would not have been possible had it not been for the legislation which I mentioned a while ago. They were banking on that legislation to protect them from individual sniping by the farmers in the country.

However, the Associated Dairies has been carrying on very nicely. They have suffered somewhat as the result of competition from irresponsible dairies that sprang up in the meantime. A number of them started up with very little capital—and you realize I presume that the fluid milk business is probably one of the easiest businesses that we know to finance—the plan is, of course, that you can go out and purchase a bale of milk tickets, and proceed to sell them to the public for cash, and go out into the country, arrange for a supply of milk, and also arrange to pay for that milk from two weeks to six weeks later.

A number of these dairies that started up overlooked paying for milk at all, with the result that they were in a very much preferred position when it came to quoting competitive prices on the street. The agencies that purchased their milk from us, we saw to it that they paid for their milk—the price was low, but nevertheless they had to pay for it—while their competitors overlooked that little item of paying for milk, and naturally they were very serious competitors. Some of these distributors dropped out from time to time, and others cropped up in their place, with the result that we had a constant source of trouble in the market until this recent arrangement that has been in operation since the 25th of March. The last word I had before I left was they were still carrying on. There had been several little offences, but they had been patched up from time to time, and we hope the present arrangement will prevail for some considerable time.

However, after 15 years of an attempt to make a success of voluntary system of co-operative effort, we have come to the conclusion, sir, that it is impossible to make a complete success of it because the farmers themselves—the people that this effort is designed to help—are the people in each and every case that conduct themselves in the way that tends to destroy the effort.

I think, Mr. Chairman, that is all I have to say at the moment. I would be very glad to answer any questions you might care to ask.

By Mr. Barber:

Q. Mr. Mercer, you might tell us something about the membership of your association.—A. The membership at the end of 1917 was 880, to-day it stands at something over 3,500, not all of them are active members.

By Mr. Shaver:

Q. What do you mean by an active member?—A. An Active member is a member who is shipping. We have a share capital as well as membership. We have a contract, and also a shareholder's agreement; that is, a man can be a stockholder,—a shareholder—and not be an active shipper. He may have been a shipper at one time and just retired from the business and left his investment with the association. I might say that we financed the organization at the beginning, by voluntary contribution from $50 up to $1,000. Farmers would pay in in cash. We paid 6 per cent interest for a number of years at the beginning, and we eventually raised that to 8 per cent, because the holdings were not always equitable; that is, farmers that were not very large shippers

probably were very large shareholders, and vice versa; so that it was necessary to allow the current rate of interest that applied at the time, in order that the fellow who made it possible for us to exist by lending us money, so that he would not suffer unduly, we paid him 8 per cent interest. I might say that the interest rate is fixed by the members at annual meetings each year. This year, however, they decided to reduce the rate of interest to 6 per cent. We have approximately, at the present time, a million dollars of farmers' money invested in the organization. We own all our plants, all our equipment, our own blacksmith shop, build our own wagons, make our own harness—do everything within our own organization, and the farmers own every bit of it. And another thing, Mr. Chairman, we never got a dollar from the government yet. We have no intention or desire to ask the government for any money. We believe that this is a business and that it should stand on its own feet. We believe it can stand on its own feet, and the only people on earth that can defeat it are the people out in the country that it was designed to help; and they can lick us every time they take the notion and as often as they like.

Q. What percentage of the milk do you control in the Valley?—A. Approximately 80 per cent.

By Mr. Pickel:

Q. How much are you getting at the present time for butterfat?—A. Our fat value is approximately 27 cents per pound at the moment. Now, I fancy that it would probably be higher than that as a result of the recent increase in price in the fluid market.

Q. You have known as high as 73 cents?—A. That is the value of the sale to the fluid market. We have been as high during 1918 and along there—we paid our farmers 1.05 a pound butterfat, but we don't consider those normal market conditions. We paid from 35 cents to $1 to $1.05.

Q. At the present time Mr. Mercer what would be average price per quart or per gallon on your 27 cent per pound butterfat?—A. At the present time the price is 9 cents a quart for standard milk.

Q. That is, to the consumer?—A. That is to the consumer, yes.

Q. What is that to the farmer?—A. The farmer would realize on that—46 cents per pound butterfat on 4 per cent milk—I could calculate that for you.

Q. Is your average 4 per cent?—A. That is the basis, 4 per cent. Our milk in the winter time will average close to 4 per cent.

Q. What would it average over the year?—A. I would say possibly 3·7 or 3·8, along there.

By Mr. Tummon:

Q. Mr. Mercer, you stated that the milk production area was approximately 100 miles, comprised by the Fraser Valley?—A. Yes.

Q. And that would be how wide, on the average?—A. It varies, I would say from 10—well, away at the upper end it is very narrow, possibly a couple of miles, and it includes the Fraser river, then it will get in places probably 15 miles wide at the widest places.

Q. Do I understand then that it is a Valley approximately 100 miles long and perhaps averaging 8, 9 or 10 miles wide which comprises a milk producing area for Vancouver and New Westminster?—A. Approximately, yes.

Q. Outside of that area have you a thickly populated settlement?—A. No, the settlement is practically all inside of that area.

Q. Then we might take that district as constituting a unit?—A. Yes.

Q. Separated by itself?—A. Yes.

Q. Very well, and it was that district that you sought to organize in your association?—A. Yes.

Q. You, perhaps, were fairly well situated in that regard?—A. Yes, there were geographical possibilities that we took advantage of.

Q. Geographical possibilities that perhaps are not so available to other parts, I have in mind for example Ontario and Quebec, you could start I presume at the city of Quebec and go to the western border of Ontario at Windsor and you would have practically one area. What I am coming at is this, that it seems to me that you have an advantage there in regard to getting your people organized that perhaps does not pertain to other cities, or around other cities?—A. That is possibly true, we have an advantage that other districts have not got but I don't consider that an insurmountable difficulty.

Q. I was coming to that, with your experience have you anything to suggest how that might be carried out in other districts, where there is not a unit like that surrounding Vancouver?—A. I am confident that that could be worked out. I would hesitate about supplying you a plan just from this point at this time, but I am confident that Ontario and Quebec having probably a larger consuming population, that is they have a smaller surplus problem than probably we have—because you have many large industrial centres, and while it is true you have very large production you also have a very large fluid market, and our plant and business there is based, and our commodity values are based f.o.b. Vancouver.

Now, then, you could by careful study of the location of your consuming centres and your production areas, it could be arranged by using f.o.b. certain consuming points as your basis for settlement. You could use the cost of getting the milk at that point to your advantage in discouraging people from slipping into the market that they really don't belong to—probably the desire to slip in comes more or less from the building up of values—and that would be discouraged by the necessity of long hauls. The natural sale comes from milk. There we were up against the same thing when we were administering our Dairy Products Sales Adjustment Act. For instance, they could have shipped milk from Vancouver island; they could have shipped milk from the Okanagan, but the cost of getting it there was just too much. It paid them better to keep it at home than take care of it there, and that is the only safeguard we have; and I fancy that could be worked, maybe not as easily as we did, but it could certainly be worked out.

Q. Now, then, we have discussed the area. I wonder if we could consider the market for a little while. Now, you enumerated a short time ago the different products that the milk went into, or the products from that area went into. Can you tell the committee approximately how much of the production of that area, or what you received, was consumed in the district?—A. In 1931, that was the last year that we operated—that is that is the last year we operated in the fluid market—since that time the Associated Dairies has been taking care of that responsibility.

Q. Then, I understand that up to 1930 you operated as a company yourself, as one of the companies in the fluid market?—A. Yes. We were a distributor.

Q. But since that you have the Associated Dairies. Are they a combination?—A. Yes, of 14 different important dairies in Vancouver amalgamated into what is known as The Associated Dairies, including ourselves.

Q. Is it fair to ask what interest you hold?—A. Yes. We hold about 53 per cent.

Q. You hold the controlling interest?—A. Well, we hold more than 50 per cent of the stock, but the stock does not vote. We have not got the majority of the board.

Q. I see. You had 1930 there?—A. Yes. You asked for the quantities.

Q. How much of the fluid milk production of that area was marketed in the area or in the district?—A. Now, we sold fluid milk, 1,251,991 pounds of butterfat.

Q. Out of a total of how much butterfat?—A. Out of a total of approximately 4,428,712 pounds of butterfat.

Q. Now, you said you marketed in fluid milk 1,000,000—.—A. 1,251,991.

Q. Now, what else did you have—sweet cream?—A. In addition to that there was the quantity sold to the Associated Dairies. In addition to that w sold to other dealers 744,797 pounds of fat.

Q. That amounts to approximately 2,000,000 pounds of butterfat?—A. Yes Now, the Associated Dairies—no, that is our own fluid sales. We were in th fluid business ourselves that year. Those sales gave us a unit return of 74· cents per pound of butterfat. That was the net unit return as the result of ou own fluid sale effort. Now, we sold 744,797 pounds to other dealers who were com petitors of ours on the street; they took care of approximately 20·3 per cent c our total production—the dealers all. Our own association sold 19·8 per cen of our total production. I showed you a minute ago the net return as the resul of our own effort, 74·7. The price we got from the dealer was 70·3 cents.

Q. Just following on, I would like to get at, if I can, just what proportio of your production in that area was shipped to markets outside of your ow local market—not consumed in your own local market?—A. That would b foreign sales?

Q. Foreign sales.

The CHAIRMAN: Or to other parts of Canada.

Mr. TUMMON: Yes to other points of Canada; outside his own district.

The CHAIRMAN: Outside of the Vancouver market.

Mr. TUMMON: Yes.

The WITNESS: I could give you the figure approximately.

Mr. TUMMON: Very well.

The WITNESS: Our Columbia milk—that is an evaporated milk mac according to the British standard and all is exported—it took care of 3·2 pe cent of the total production. That all went outside. Now, in addition to th there was a prairie sale of Pacific milk amounting to ·3 per cent.

The CHAIRMAN: Is that an evaporated milk also?

The WITNESS: Yes. ·3 per cent. And in addition to that we have an expo Pacific milk that sold to the Orient and represents another ·3 per cent. Nov we export a very unimportant quantity of butter to Japan and no cheese at a We do export considerable skimmed milk powder. That is a by-product butter and would be included in our butter sales. So it is not an export of fa but rather of skim milk.

The CHAIRMAN: It is not casein?

The WITNESS: No, it is not casein. Casein is also a skim milk product ar is not represented in terms of butterfat.

By Mr. Tummon:

Q. Then, according to that, Mr. Mercer, it would be perhaps safe to sa that less than 8 per cent of your total manufactured product is disposed of ou side our own district?—A. Outside of our own province?

Q. Outside of your own province?—A. Yes.

Q. I think that is rather interesting because we get a picture of the area the production and a picture of the market area that is quite unique in that wa Now, I think you said that in 1917, was it, that the producers were paid a pri of 45 cents per pound of butterfat?—A. As near as we can arrive at it, that w the average or pool value of the pound of butterfat—all markets.

Q. When you started your operations?—A. Yes.

Q. And twelve years afterwards when the retail prices of the different articles that you were manufacturing were approximately the same price?—A. Yes. The consumer was paying approximately the same price.

Q. The consumer was paying approximately the same price and you were able to return to the producer approximately 60 cents per pound butterfat?—A. Yes.

By the Chairman:

Q. For all products?—A. Pool value.

Q. For all products?—A. Yes. I can give you the correct figure on that. 58 cents is the correct figure. I said approximately 60 cents; I was speaking from memory.

By Mr. Tummon:

Q. I see. Well, at 45 cents per pound of butterfat on a hundredweight of milk containing 3·5 butterfat, as we have been accustomed to discuss it here, that would be a price for a hundred pounds of approximately \$1.57, if I have figured it correctly?—A. At what price?

Q. Forty-five cents. 3·5 milk?—A. Yes.

Q. And if you paid 58 cents on that same 3·5 milk 12 years afterwards it would mean in the neighbourhood—I have it figured at 60 cents—it would mean in the neighbourhood of \$2.04, approximately?—A. \$2.03.

Q. Now, then, during that time, or at the time you were paid 58 cents per pound butterfat, that was after all operating expenses had been deducted?—A. Yes, that is the net unit return.

Q. That is the net unit return?—A. Yes.

Q. All taxes?—A. All taxes, interest and depreciation.

Q. What about indebtedness?—A. Yes.

Q. Were you pasteurizing your milk at the time?—A. Yes.

Q. That paid for pasteurization?—A. Oh, yes.

Q. Distribution costs?—A. Yes.

Q. Have you any idea, Mr. Mercer, what the cost is for the processing of milk per quart? Can you give the committee an estimate of the cost per quart —in your case it is confined to you—we cannot take the cost—but what is the cost of processing milk and putting it on the doorstep?—A. Well, now, you would include by processing—you would include delivery costs?

Q. Delivery costs, pasteurization, bottling—everything that is required in connection with distribution from the time the raw product comes into your hand until it goes upon the consumer's doorstep?—A. It is impossible to answer that question without knowing the conditions under which you have to function. I refer particularly to competition—competitive tactics or methods. For instance, under average normal conditions 5 cents a quart should be ample to take care of operations. Now, I can imagine conditions where 5 cents would not be sufficient; that is when you have 7 or 8 waggons following each other along the streets each morning. I can imagine that that would hardly take care of it. I might indicate that when we started in the business of distributing milk in 1919 the spread allowed per gallon was 29 cents, a little over 7 cents a quart, and we reduced that. When we show a return here of 70 to 74 cents that provides for a spread of less than 5 cents a quart. Now, it is governed largely by the competition that the dairy has to comply with, and capitalization is another, depreciation comes into the picture, the size of the load, and the condition of the labour market.

Q. You would say, however, that 5 cents would perhaps per quart be an average?—A. I would say it would be reasonable. I do not think any person could complain at a 20 cent spread. That is 20 cents per gallon or 5 cents per quart.

Q. Now, in your operations did you dispose of any of your products? That is while you were operating your own manufacturing plant did you dispose of any of your fluid milk to other companies that were operating similar plants to your own?—A. Yes. We supplied milk to a little local cheese operation—that is a fellow who made a fancy swiss cheese. He bought his milk from us—and we also supplied milk to a competitive evaporating company.

Q. A company that was evaporating milk the same as you were in your business?—A. Yes, the same standard of milk.

Q. Have you any comparisons that you could give the committee as to the returns that came back to the producer for that portion of the milk that went to the evaporating plant, and what came from your evaporating plant?—A. Yes, I have them here. Our domestic Pacific milk; that is, the result of our own operation—

Q. Evaporation?—A. Yes; during 1930. What we mean by domestic milk is the British Columbia milk only. You understand that? As we advance out into further fields, our returns are less.

Q. But the company that I am making comparisons with, confine their sales largely, I presume, to the British Columbia market, so that in order to make a proper comparison in that regard, both plants are on the same level?—A. Yes. Our own plant showed there a unit return of 61 cents.

Q. Per pound butterfat?—A. Per pound butterfat for 1930.

Q. After all expenses were paid?—A. All expenses were paid; and during that same year the net unit return to the other company was 45½ cents per pound of butterfat.

Q. That is the net return?—A. To us.

Q. To you for the milk that you sold?—A. Yes. Now, we sold them that at a slightly higher price than that, but naturally we had to allot a certain proportion of our overhead costs to that sale, otherwise that proportion of production would not be bearing its fair share of the general overhead expenses, such as directors' fees, head office expenses, and so forth. They are allotted to that as well. It bears exactly the same proportion in that respect as our own plant, with those items.

Q. So that there was a difference of approximately 15 cents per pound butterfat?—A. Yes.

By the Chairman:

Q. I suppose they purchase a certain amount of supplies from farmers as well?—A. No, they purchase all the requirements from us.

Q. Where do the associated dairies about whom you speak get their supplies? —A. They get their supply from us.

Q. Altogether?—A. No; they have shippers as well. I might say that they have independent shippers, probably 150, but under an agreement with us they pay their shippers exactly the same settling rate per month, which is the pool settling rate, as we pay our shippers. The difference between that and their recognized value of milk to the fluid market is paid to the Fraser Valley Milk Producers' Association; so that they do not profit in any way as a result of having bought milk independently of our organization.

Q. Let me ask another question that may affect the situation regarding your values. This evaporated milk that you sell in the province of British Columbia, I presume, goes largely to lumber camps and mining districts?—A. Yes; and a very large portion of it is consumed right in Vancouver.

Q. Would that affect the price in any way? You have a better market than the average market in Ontario, say, for evaporated milk?—A. Well, I really do not know the prevailing prices of evaporated milk in Ontario. I presume they are the same as they are in British Columbia, approximately $4.25 a case, less certain discounts that are recognized in trade.

Q. Can you bring your figures down to the year 1932. Most of the evidence has been given for the year 1932 in regard to the prices at Montreal, etc. Can you give us an idea of the returns to the producer per 100 pounds of milk for that year?—A. The reason I gave 1930 was that it was the last year that we were engaged in the fluid business, and naturally I gave that year. Now, 1932 of course, is not as nice a picture, largely as a result of world market values having gone down materially, and very largely as a result of an unnecessary low market in the fluid business.

Q. You suffer from competition?—A. Yes. Now, in 1932, our unit return was 28·67 cents per pound of butterfat.

By Mr. Tummon:

Q. Per pound of butterfat?—A. Per pound of butterfat.

By Mr. Pickel:

Q. To the producer?—A. To the producer.

By Mr. Tummon:

Q. Would that be net to the producer after all transportation charges?—A. No, that is f.o.b. Vancouver. We have deductions ranging from 13 cents per hundred pounds, to 20 cents per hundred pounds.

Q. The average we would be safe in saying, would be 15 cents per hundred pounds.—A. Yes, probably a little more than that, probably 16½ cents, because the zone—I think a 20 cents charge applies to, represents a very large portion of our total production. I am thinking of the Chilliwack valley.

By the Chairman:

Q. For 3·5 milk? At 20 cents, that would be about $1, would it?—A. Yes, a little better than a dollar.

By Mr. Barber:

Q. You pay so much for skim milk; does that include that?—A. No, that is the total value per pound of butter fat.

By the Chairman:

Q. That you return to the producer?—A. Yes.

By Mr. Pickel:

Q. Mr. Mercer, just before the committee leaves that, what would be the net to the farmer per hundred pounds, providing the transportation was 16 cents?—A. Based on 3·5 milk?

Q. Yes.

By Mr. Tummon:

Q. You said your average was 3·8?—A. Yes. Now, that average of 3·8 is an approximate, or it may vary up or down.

By the Chairman:

Q. Most of the quotations from this district were given on 3·5 milk. If the average was higher, they gave a premium, and that is the reason why I asked for 3·5 milk.

By Mr. Tummon:

Q. It would be approximately 85 cents per hundred pounds?—A. 84·345, providing 16 cents is the average price charged.

By Mr. Bertrand:

Q. Is that the fluid milk prices?—A. That is the pool value for all markets.

By Mr. Tummon:

Q. At that time, what was milk retailing at to the consumer?—A. All the way from 12 to 20 quarts for a dollar, nobody knew what the price of milk was.

Q. Was there a milk war on?—A. Oh yes, and it was a dandy.

By Mr. Pickel:

Q. Would those figures apply to-day?—A. No; we have succeeded in reestablishing to a certain extent the fluid values in the city.

Q. What would be the approximate price, I mean, to the producer?—A. To-day it would be probably up three or four cents, better than that.

By the Chairman:

Q. If you had a 100 per cent control of the milk produced in the area, what do you think you could pay to the producer?—A. If the world products value—

Q. Under prevailing conditions, with the prices of butter and cheese as they are to-day.—A. Approximately, we could pay them approximately 40 cents a pound butterfat. I am satisfied that a pound of butterfat would be worth 40 cents under complete control.

By Mr. Pickel:

Q. Under complete control would it be possible for the farmers to receive a 50-50 division of the selling price?—A. Now, it all depends. What you have in mind, sir, I gather, is in the fluid market, out of the consumer's dollar, would there be available 50 cents for the producer. It all depends on the value of the market. Understand, the costs are more or less stable, approximately 20 cents a gallon is necessary. Now then, a question as to whether 50 cents of the consumer's dollar is available to the farmer or not, is governed by the price of milk. If the price of milk is high, there is, probably, more than 50 cents of the consumer's dollar available, but if the consumer's dollar shrinks to very close to the cost of delivery—after all, you cannot expect distributing companies to be philanthropic—

Q. Accepting the standard of 10 cents a quart?—A. Yes.

By Mr. Shaver:

Q. Where would you get that additional 11·4 cents?

The CHAIRMAN: Let Mr. Mercer figure out what he was after.

Mr. SHAVER: Yes.

The WITNESS: At 10 cents for milk, there should be approximately 50 cents of the consumer's dollar, assuming the cost, the spread allotted is 20 cents a gallon, it just breaks 50-50.

By the Chairman:

Q. Would not the price of butter and other products enter into it as well?—A. Well, the gentleman asked the question in relation to fluid milk only. Now, I fancy the farmer—there is considerably more than this 50 cents of the consumer's butter dollar available for the farmer because the cost of manufacturing and getting over to the consumer a pound of butter is very much less than getting the pound of butter fat over to him in the form of fluid milk, because you have to handle a hundred pounds in weight in order to get 3½ pounds of fat over to him. That is the point.

By Mr. Shaver:

Q. I think you said, Mr. Mercer, that if you had 100 per cent of the farmers in your area in your asosication, you would be able to pay them 40 cents. That, I understand, would be 11·4 cents more than you are paying them at the present time.—A. Yes.

Q. Where would you get that adidtional 11·4 cents? By taking 100 per cent of the farmers in your asociation, would you be able to raise the price to the consumer? Would that be the idea?—A. Yes, I would presume we would raise the price to the consumer in Vancouver to approximately the same as he is charged in other cities like Vancouver, which is approximately 10 cents a quart. Ten cents is a fair price for milk.

By the Chairman:

Q. Lessening the cost of distribution as yell, would you not?—A. Oh, yes. I might say just along that line that I did not complete my statement in respect to the purpose of the Associated Dairies. It was designed to eliminate unnecessary distribution costs. It was estimated that 100 wagons could be eliminated from the business of distributing milk in our city; and it was estimated that it cost approximately $2,000 to keep a horse, a respectable horse, wagon, harness, and equipment on the street, a year.

By Mr. Tummon:

Q. Including drivers?—A. Including the driver's salary. One hundred wagons at $2,000 each is considerable money, $200,000. It was a real honest objective to aim at, and they proceeded to do that, Mr. Chairman, up to the point where they had laid off 54 wagons, but they found they had to quit it, because just as often as they laid a wagon off, the farmers rose up in the country and put it back on again, with the result that to-day there is just as many wagons in the street as ever there were; and on every occasion it is done by the fellows out in the country that you are trying to help.

By Mr. Lucas:

Q. I would like to ask if the chain store competition has been a factor in it at all, and if so, just how?—A. Well, the chain store is one of the factors, and the other stores are some of the other factors, and practically everybody that is in the business is the rest of the factors, including the farmers themselves. Just at the moment, with this arrangement that we are trying to initiate in Vancouver a present, we are getting very excellent support from the large chain stores. Our trouble is largely with the smaller chain stores; and I am not casting any reflection on them by that. They probably do not understand, and I am satisfied that we will be able to overcome that little obstacle; because after all, that is what obstacles are for, to be overcome.

By Mr. Tummon:

Q. Just along that line, have you any complaints or any trouble with chain stores featuring milk at a low price?—A. Yes, we had trouble, at the time that our market values were crumbling. There were certain chain stores that saw fit, on Fridays and Saturdays, to put on specials; when the store price was eight cents, they would put on a special for Friday and Saturday at seven cents, and so forth, until the store price got down to a nickel in many cases. Just on that point, I might go further, and indicate that milk is the only food commodity that we know of at the present time that has to be purchased every day. We don't know of any other commodity; with butter, bread, beans or bacon or anything like that, you can buy two or three days' supply, but milk, you must go every day. Therefore it is the most attractive leader that we know of for any store that wants to participate in those tactics. I might say that in 1930, during the time we were operating under the influence of the act that I mentioned, I said that we had most happy marketing relations. For your information, the store prices and the wagon prices during the whole of that year were exactly

the same, eleven cents a quart, and we had difficulty with only one store during that period. That worked along very, very nicely. At the moment, the chain stores insist on having the advantage over the wagon of one cent a quart. They tried to get two cents, but we succeded in limiting them to an advantage of one cent per quart. Personally, I do not think that the store is entitled to any advantage whatever; I think they should sell at the same price as the wagon.

By the Chairman:

Q. Mr. Mercer, may I ask another question; I suppose there are two sides to every question. If you had full control, 100 per cent control of the milk in your area, would you find that the consumers would ultimately object? You would practically control the price in that case to the consumer and could make it what you like. Would you have any trouble with the consumer?—A. No, I would not anticipate any trouble at all from the consumer, providing I exercised just ordinary judgment. In other words, if I behaved myself, they would have no cause to object, and I could not afford to do anything else but behave myself. Now, then, I might go back—

Q. Why?—A. Because it would cost me too much money. After all is said and done, the consumer is the boss. You can fix the price at any figure you like, Mr. Chairman, but you cannot make that lady continue to buy three quarts; she will get along with one. That is where I changed over and many other people too. I might mention away back in the early days when we were probably not as familiar with the psychology of the public as we are at the moment, we got quite complete control; we got quite chesty, and we put the price of milk up from eight quarts for a dollar to six, and we were selling 7,000 gallons a day at eight quarts for a dollar, $12\frac{1}{2}$ cents a quart. We raised up the price to six quarts for a dollar, and we found inside of six weeks that we were only selling 5,000 gallons, and that didn't pay us very well.

Q. Could they use some substitute, such as evaporated milk?—A. Yes, they could do that, but that is not what happened; they just got along on two quarts instead of three or four, and we found that at six quarts for a dollar we had actually less money for our farmers than we had at the lower price; and we have also found after twelve or fifteen years' experience that eleven cents a quart in Vancouver is the most profitable price to the farmers in that area. When we raise it from eight quarts for a dollar, we find that consumption goes down sufficiently to neutralize the advantage in price; and also when we sell at the lower price, our business does not increase to take up the loss. Now, I am speaking of normal conditions, which do not exist at the present time.

Q. I suppose that you will never get 100 per cent control without legislation?—A. No.

Q. It would only be fair, if legislation were brought in at any time, to see that the consumers' interests were safeguarded in that legislation, as well as yours?—A. Yes.

By Mr. Pickel:

Q. What is the capitalization of your company?—A. The capitalization of our company was $1,000,000 until the last annual meeting; and we just took the lid off and raised it, and I think it is somewhere around two and a half million dollars now. I would not be sure on that point.

Q. What is the relative value of your assets and capitalization?—A. I would have to consult the records to answer that question. However, I think we have a very considerable margin on that particular point, for the Associated Dairies, it was represented on our books at the value of $389,000. Those assets were appraised by the Canadian Appraisal Company at $608,000; so that we feel that our values are all right.

Q. What do you set down as depreciation?—A. Well, I don't know—

Q. Have you different sums for different items?—A. Yes, it varies, of rse. For instance, on concrete structures it is a very low rate; on mill con-struction it is higher. On cans I think it is 25 per cent; trucks and so on.

Q. Machinery?—A. Yes.

Q. How much on machinery?—A. I could not say without consulting the records. Depreciation on machinery is very high.

Q. Profit and loss account, bad debts?—A. Yes, we have a reserve for bad debts.

Q. What about bottles?—A. We have no bottles; we are out of the business. We are not in the distributing business. That is Associated Dairies. We have an interest in that, another company.

Q. You have discontinued distributing altogether?—A. Yes.

By Mr. Tummon:

Q. Mr. Mercer, you had some experience, or your company, in the selling of sweet cream to the markets?—A. Yes. I might explain that as I mentioned before, we consider the sweet cream market as a fluid sale, and we usually charge about seven cents a pound butterfat less for fat in cream than we do for fat in milk, so that to-day when the price is 46 cents, the price of cream suitable for the sweet cream market is 40 cents a pound butter fat. The difference to-day is six cents a pound butterfat, which just about represents the value of the skim milk contained in the can of fluid milk that is not present with the cream. We only charge for the fat.

Q. The cream that you used for the sweet cream trade you bought as sweet cream, did you?—A. No, we don't. We buy nothing. It is sent to us on consignment. We dispose of it.

Q. Well, on consignment; it comes to you as sweet cream?—A. Not necessarily, no.

Q. Or as fluid milk?—A. I would say that 95 per cent of our milk we buy comes to us in the form of fluid milk.

Q. Then you would separate that for your sweet cream trade?—A. Yes.

Q. Could you answer this question: supposing that you received 100 pounds of fluid milk and you skimmed it and put it in the sweet cream and sold it as sweet cream, would that be as profitable as if the 100 pounds of milk were sold as fluid milk?—A. Yes, it would be more profitable.

Q. That is what I wanted to get at.

Mr. Pickel: Sure it would.

By Mr. Tummon:

Q. Have you any figures or idea that you can give to the committee?—A. No, I could not give you any figures, apart from the fact that we will say that the can of milk originated in Chilliwack, which would contain 3½ pounds of butterfat; the cost of getting that to market would be the cost of picking it up and getting it to market, which would be exacly 28 cents. That may confuse you somewhat. I mentioned a while ago that the charge to the farmer was 20 cents; the cost to the association is 28 cents; but as a result of having plants out in the country, we don't have to charge; we avoid, in other words, paying out large sums of money to transportation companies by having manufacturing plants in the country. Coming back to the question, you would reduce 100 pounds of 3½ per cent milk to approximately 12 or 15 pounds.

By the Chairman:

Q. Of 30 per cent cream?—A. 30 per cent cream. Now, in the case of the freight cost on the 100 pounds of milk, it would be 20 cents, the cost on the same amount of fat. The weight has been reduced, you understand, to approxi-

mately 12 or 15 pounds; so that the saving in freight would bring your cream values to the fellow in Chilliwack actually more attractive than the other; at least, I presume that is the way it would work out.

By Mr. Tummon:

Q. That is, it would be, if milk went to a receiving station before coming to your plant at Vancouver?—A. Yes.

Q. But take a fair illustration; suppose you take two cans of milk with a butter content of 3·5, and they both came into your plant at Vancouver, and the one was sold as fluid milk and the other was sold as sweet cream—skimmed and sold as sweet cream. Is the one that was sold as sweet cream as profitable as the can of milk that was sold as fluid milk?—A. Now, then, are you directing your question from the standpoint of the shipper or from the standpoint of the association?

Mr. PICKEL: Both.

By Mr. Tummon:

Q. Well, so far as we have gone, it is from the standpoint of the association.

By the Chairman:

Q. Put it this way, Mr. Tummon, from which would you get the better return?—A. Why, it is just a little bit different to our usual operation, and it is somewhat difficult for me mentally to calculate the advantage. We have reduced the rate, for instance, of the commodity from 100 pounds to approximately 12 pounds; therefore, we pay freight as on fluid milk on 100 pounds, or 20 cents—we pay freight on 12 pounds at approximately the same rate, so that our freight obligation has been considerably reduced. In addition to that, we have 85 pounds of skimmed milk that we have kept back in the country plant, the average value of which last year—I just forget now how many million pounds we sold—but the average return per 100 pounds on that was 20·03 cents per 100 pounds. So that we had 85 pounds of skimmed milk at a value a little better than 20 cents a hundred in addition to the saving we have made in freight, and we have disposed of the cream at the rate of 40 cents a pound butterfat, as compared with 46 returned from the fluid sale.

Q. Do you sell your sweet cream by the butter fat content?—A. Yes.

Q. You don't sell it by the half pint, or pint?—A. Oh no, we sell to the Associated Dairies. They sell by the pint and the half pint.

Q. They make a commission on what you sell to them?—A. Yes, I fancy they make a profit on their operations.

By Mr. Pickel:

Q. Do you sell certified milk or special milk?—A. Yes, we have several brands of milk—we have far too many brands of milk—we have breed milks and that has cost us a lot of money. There is one certified dairy in British Columbia. What I mean by certified dairies, is a dairy that has their employees inspected every two weeks by medical inspection—they parade them up there to the hospital, and they have them properly inspected—they are certainly very strict regulations under which they function. The gentleman who operates this dairy is a member of our association and he disposes all his milk through our association, and in turn it is placed on all of the wagons belonging to the Associated Dairies, and the sale price of that milk is 15 cents per quart—originally it was 25 cents. In addition to that, we have what we call Vancouver approved—that is a milk that is bottled on the farm, and delivered in cases and bottles to town and delivered by the various wagons.

Q. That is not pasteurized?—A. No, that is raw milk. Then, of course, we have pasteurized milk; and then we have Jersey, and we have Guernsey, and we have 5 per cent, and we have 4 per cent, and standard milk—and it all adds to the cost of distribution.

Q. Does the Borden company operate at all in Vancouver?—A. No, they are not in the fluid business.

Q. What are they doing there?—A. They are in the evaporated business.

Q. Where do they get their milk?—A. They get it from us.

Q. Do you furnish any other companies with milk for manufacturing purposes?—A. No, not at the present time.

Q. Do you know, Mr. Mercer, the price of cream per half pint in Vancouver; that is, the 10 per cent, the 20 per cent, and so on.—A. I have the prices here.

Q. What are the different percentages, Mr. Mercer?—A. The Cream is around 10 per cent; table cream usually around 20 to 22 per cent; and the whipping cream is 25 per cent. I think that is what it is, but I would not be sure about it.

Q. Can you give us the approximate prices of these different brands of cream per half pint?—A. I am sorry to delay the committee, I just don't happen to be able to locate this at the moment. Pasteurized milk $3\frac{1}{4}$ cents, minimum standard half pints 3 cents; gallons 25 cents.

Q. That is for milk?—A. That is the prices to the stores—that is not the statement that I wanted. Pasteurized milk, 11 tickets for a dollar, that is 9 cents a quart; pints 17 for a dollar. Guernsey 9 tickets for a dollar, guernsey pints 13 tickets for a dollar. Jersey milk, 9 tickets for a dollar; jersey pints 13 tickets for a dollar. I will give you this slip, hand it in to you. Creamo—that is the 10 per cent—half pints 5 tickets for 75 cents.

Q. Is that for pints, or for half pints?—A. That is pints. Half pints, 12 tickets for a dollar. Table cream, half pints 5 tickets for 75 cents. Table cream quarter pints, 12 tickets for a dollar. Whipping cream, half pints, 25 cents each.

Q. That is twenty-five per cent, Mr. Mercer?—A. Yes.

Q. Twenty-five cents?—A. For the half pints quarter pints 15 cents. Buttermilk, 14 tickets for a dollar.

Q. That would be 50 cents a pint for the whipping cream?—A. That would be 60 cents—quarter pints at 15 cents.

Q. Oh yes. Your Association to-day is doing a wholesale business?—A. Yes.

Q. You are not in the retail business at all?—A. No.

Q. In ice cream, in buttermilk or anything else?—A. We have a small ice cream operation at Chilliwack. We were in the ice cream business at one time, but we also joined the amalgamation with different companies in that as well, and we are not permitted to engage in the business within a radius of fifty miles of Vancouver.

Q. Can you give us the cost on a gallon of ice cream?—A. No, I could not give you that. We are unimportant in the ice cream picture. That I could not give you any reliable information on.

By the Chairman:

Q. You seem quite confident, Mr. Mercer, that the same system could be followed out in Ontario and Quebec as you are following. Would there be a limit to the volume of business that one concern would do; or would you say that the whole of Ontario and Quebec should be operated under one control?—A. Yes, I believe it would be possible to have—

Q. According to the British report here—that of the re-organization commission on milk—they have advocated dividing the Island into regions?—A.

Well, what I meant, I thought that would be advisable, Mr. Chairman, but they should be under one control; that is, in the matter of legislation.

Q. Some central control?—A. Yes, I think probably Ontario province could be divided up, that is a certain group of men could establish boundary lines and constitute themselves into a unit in order to function under some control measure.

Q. I suppose those areas further removed from the towns and cities would have their milk turned into butter and cheese, and so forth?—A. Yes, or if they are within hauling distance of a city—that is, if it is possible for that district to get their milk to town in a condition that is suitable for the fluid market—they should be considered as potential fluid market milk shippers; because, when it comes to a showdown they will do it anyway.

Q. Another question before I forget it, it is rather apart from what I have been asking just at the moment; do you pay a premium to your shippers who are sending from inspected stables and accredited herds?—A. No.

Q. Or are they all accredited?—A. No, the herds are not all accredited, but the area is accredited, and then in addition to that we have accredited herds as well. Now, we make no difference in the settling rate as a result of the grading of the premises. We do make a difference in the settling rate according to the grade of the milk. In other words, we are not in the business of selling premises, we are in the business of selling milk; and when the milk is right we figure that the methods on the farm including the equipment must be right or the milk would not be right; in other words, we find after careful bacteriological examination of milk spread over a period of seven or eight years, that we don't always get our best milk from our premises that grade "A".

Q. Your premises are subject to inspection?—A. Yes, we have a provincial inspection. On the other hand, some of our best milk comes from farms that grade "B" and "C".

Q. How do you account for that?—A. Well, it is more a question of method —the man, I presume, has a great deal to do with it.

By Mr. Pickel:

Q. The human element, you mean?—A. Yes, the human element.

By Mr. Tummon:

Q. Mr. Mercer, just a question that has been bothering me a little bit lately. Our investigations, for example in Montreal; milk is retailing there at 9 cents a quart—I think you told us that milk is retailing in Vancouver at 9 quarts for a dollar?—A. No, 11 tickets for a dollar.

Q. That would be 11 quarts for a dollar; then that is practically the same price as at what it is retailing in Montreal—eleven times nine is ninety-nine?—A. Yes.

Q. I think you told us too that the prices the producers are receiving per pounds of butterfat is something like 27 cents per pound?—A. Twenty-eight.

Q. At the present time twenty-eight?—A. Yes, that was the average for 1932 for that particular sale. Now that was the full value, and that is the result after approximately 65 per cent of that total production was manufactured, and the 35 to 40 per cent of it was sold as fluid. The full value was 28·6 or ·7.

Q. That is for the milk that went into all the different things?—A. Yes.

Q. It was the average price?—A. The average value of the total production sold by the various avenues of sale that we have.

Q. That according to the 3·5 pounds butterfat net the producer back after freight was taken out, approximately 85 cents a pound?—A. Yes.

Q. Now, on the evidence so far we found that the farmer around the Montreal district is averaging more than that?—A. Yes.

Q. How do you account for your co-operation?—A. In order for me to account for that, Mr. Chairman, you will have to give me the privilege of asking this gentleman a question. I cannot account for it unless I have that privilege.

The CHAIRMAN: Certainly. Go ahead.

The WITNESS: Just what is the relation of total production to fluid sales in the Montreal area? The figure you quoted for Montreal is it for the market milk only, or is it the pool market value?

Mr. TUMMON: No. When I quoted that I did not quote the average. I think several of the companies said their average would run about $1 a hundred.

The WITNESS: It all depends. If you want to make comparisons you have got to know how much of that has to be sold on the manufacturing market. Now, probably I could simplify the matter by this: that to-day the value of the fluid market to the farmer in Vancouver is 46 cents a pound of butterfat instead of 28. 28 cents is the pool value, the average value. It is quite confusing there.

Mr. BERTRAND: Forty-six cents?

The WITNESS: Yes.

The CHAIRMAN: For the market value?

The WITNESS: Yes.

By Mr. Lucas:

Q. What does that 46 cents work out at per 100 pounds of milk?

Mr. BERTRAND: $1.46 with a 16 cent spread.

By Mr. Tummon:

Q. In some cases—in one company I recall—about half the product was used for fluid delivery; the other half was used in sweet cream, ice-cream, cheese and butter, and the average price paid the producer was the average of what they call the association price and the surplus price—around $1.—A. One dollar a can?

Q. No. $1 per 100 pounds?—A. Would that be f.o.b. city or farm?

Q. That would be—I just forget—I want to be sure of that; I think it was at the city?—A. Now, there is a freight reduction necessary in order to make the comparison with the 85 cents.

Q. I am not sure whether freight would have to be deducted in that case or not. I do not think it was deducted.

By Mr. Spotton:

Q. What did you figure that 46 cents per pound butterfat would mean per 100 pounds of milk, fluid milk, to the farmer?—A. $1.61 a hundred.

Q. Less freight?—A. Yes, less freight.

The CHAIRMAN: The Montreal prices were quoted f.o.b. Montreal.

By Mr. Loucks:

Q. Mr. Mercer, what do you get paid. What is the salary of your president and secretary of the association. I think we would like to know that?—A. It is not an embarrassing question at all. I think I have answered that about 500 times a year, principally by one or other of my bosses. My salary is $4,000 a year. I am also secretary. I do not get anything for that. I am also performing other functions. For instance, I was on the committee that was responsible for the administration of the Dairy Products Sales Adjustment Act. I got $180 per month out of that. I just endorsed the cheque and handed it over to our auditor as the Fraser Valley Milk Producers' property, because I was working by the month and any little earnings I made were naturally the product of the Fraser Valley Milk Producers. My people tell me that my salary is far too high, and I am rather inclined to agree with them.

Q. I am glad I asked you that question. Another question: you intimated that you have your own blacksmith shop. Can you give us approximately what it costs you to shoe a horse for your dairy. I am not asking you to be absolutely accurate?—A. Any statement I would make on that point would be from memory, after several years. We have no horses of our own now, since the beginning of 1931; but if my memory serves me correctly our costs for feed, grooming and the expenses in connection with horses, including shoeing and everything, was something in the vicinity of 50 cents a day. Now, I would not like to have to make a definite statement on that. That was the price several years ago when we were paying $18 and $20 a ton for hay and $35 to $40 a ton for oats. I fancy the price to-day is considerably lower than that. I might say it does not include depreciation on the horses.

Q. Did you say that included the depreciation on horses?—A. No, sir.

By Mr. Pickel:

Q. Mr. Mercer, just for the information of the committee, what was wrong with the legislation that was passed in British Columbia and was repealed?—A. The judge of the local court said it was beyond the power of the provincial government to enact because the levies that were necessary were taxed and that they were indirect taxes and therefore the prerogative of the federal government. We, of course, did not agree with that and we went to the Appeal Court and they supported the trial judge's opinion, and we proceeded further to the Privy Council and they also supported it. Naturally, we had to admit that there was probably something wrong with our own judgment.

By Mr. Bertrand:

Q. I suppose your co-operative has made quite a few thousand dollars of profit each year in its operations?—A. No, we have made profits but not to the account of the association—to the account of the members. We have no profits. We do not buy anything for re-sale; it is handled as a consignment. We market it, deducting cost, and give all the money back.

Q. Consequently, at the end of the year there is no profit for distribution?—A. There is a fund for distribution but it is not a profit. It is a deferred payment. We settle with our farmers once a month on account—it is an incomplete settlement—and at the end of the year we have left over probably a sum of money and it means that we make only a complete settlement once a year, although we pay him on occount at is were, twice a month. We call that a deferred payment. It sometimes amounts to a couple of hundred thousand dollars, and sometimes less than one hundred thousand. Last year it amounted to three-quarters of a cent a pound butter fat.

Q. It is paid over and above the amount you figured a moment ago?—A. No. That is included in there.

By the Chairman:

Q. What Mr. Bertrand had in mind is the fact that you have a certain capital investment. How do you provide for the interest or dividend on that investment?—A. It is an operating cost deducted and set up each month as an operating cost against the business. We have borrowed this money from the members just the same as we borrowed it from the banks and we pay them interest on it and we set it up as an operating cost each month.

By Mr. Tummon:

Q. That is all accounted for by the issuing of cheques?—A. Yes.

By Mr. Lucas:

Q. How long did you operate under the provincial legislation?—A. We operated for a little over a year—1930.

Q. And what percentage of the milk did you handle at that time; did you have all the producers?—A. The percentage of the milk used? We had about 80 per cent of the control then; but no dairyman was permitted under the administration of that Act to escape his responsibilities in respect to the portion that had to be manufactured. What I mean by that is: let us imagine that the fluid market was able to absorb 50 per cent of the total production. We were directed to go out and discover what the consumer was paying for milk. We had no authority whatever to fix prices. We were directed to go out and discover what he paid for milk. Then we were allowed a reasonable amount for distribution costs plus a reasonable profit. We found that the consumer was paying $1.34 a pound for his butterfat. We also found that 61 cents was sufficient for a pound of butterfat to take care of distribution costs plus a reasonable profit, leaving that market at a value of 73 cents per pound of butterfat. The other market—you see the market was classified as fluid and manufacturing—according to the terms of the Act the manufacturing value was the price of butter in Vancouver from day to day. Now, that governed the other operation. We found that they also had authority to get information from the various dairies in respect to the amount of milk handled in fluid and in manufacturing markets. When we found a man—we found, for instance, that the fluid milk was able to absorb 50 per cent of the total production. That means that the other 50 per cent had to be manufactured. Now we found that John Jones sold 100 per cent of his milk into a market that we discovered was worth 73 cents. It did not make any difference to John Jones whether he got 73 cents or not. Then we said, "Mr. John Jones, you have sold all of your milk in a market that there was only room for half of it." We said, "Mr. John Jones, that being so somebody else must have done your manufacturing for you and this is your bill for that service that he rendered to you." We collected from him and paid it to the fellow that did John Jones' manufacturing for him, and that is all that happened. Under that system he could not possibly escape his responsibility in respect of manufacturing obligations. It was just too bad if Mr. Jones did not get 73 cents for his pound of butterfat. A number of them overlooked that little item and it sold for 65 cents and they complained. We told them they had a perfect right to give their 5 or 6 cents a pound for butterfat; it was none of our business and they could continue to do so but it was very foolish we thought.

By Mr. Bertrand:

Q. Was the price of milk pooled in this operation or administration of that Act and everything paid on the same footing? That is all milk produced to be sold as fluid milk or sweet cream? Was the butter manufacturing or cheese manufacturing all paid to the producer on the same footing?—A. No. As I understand it did no marketing then. It had nothing to do with the market or the fixing of prices. We found out what they were, and, as I said before, we discovered whether a man discharged his full responsibilities or not. If he did not we charged him, and if he did and took care of somebody else as well we paid him. Now, then, if he could sell his manufactured portion in the market that showed him a better return than before, he profited by it, and by the same token, if he could get more—if he had a quality of milk, which some of them did, which the public was prepared to pay more than 73 cents for it, he also profited by it. This was not interfered with at all. We just had two classifications.

By Mr. Lucas:

Q. I understood you to say some time ago that you still control 80 per cent—A. Yes.

Q. But at the same time you are in with the Associated Dairies and while you control 53 per cent of the stock—A. We own 53 per cent.

Q. —you have not the control.—A. We have not the control of the association; that is there are nine directors and we appoint three of them. Just in that connection, at the present time we supply the general manager and the president of the organization, so that our policies are pretty well respected in that regard.

Q. You do not find yourself at a disanvantage?—A. No.

Q. Because of the fact that you own 53 per cent of the stock and have not control?—A. No; there is nothing contentious whatever between the two organizations, because of a certain contract that we have with respect to milk prices. We have a contract that is based on the retail price of milk. For instance, when they are charging 11 cents a quart for milk, according to the terms of the contract, they are obliged to pay us 73 cents a pound butter fat; and as the price goes down, the spread goes down, and there is nothing that we have any occasion to quarrel over, apart from minor items of administration. For instance, there is no controversy, there could be no controversy in regard to the price we charge them, because it is fixed under contract.

Q. But is there not what you call overhead from the consumer in the distributing and processing situation to-day? I mean, the dairies that come in the association as compared with your one organization a few years ago?—A. Oh, yes; and by the same token there is considerably more business done. You see, we were one unit. There were 14 dairies, and we were one of them. Now, we had for instance, 7,000 gallons of business, but when they all came in together, there were 13,000 or 14,000 gallons, and there were 14 dairies. We closed up 11 of them, nailed up the windows. The costs were considerably reduced. For instance, the job the president and general manager is doing to-day, was previously performed by 14 men.

By Mr. Loucks:

Q. Would you say that the producer has benefitted by the reduction in the overheads? Who got the benefit, the consumer? Would you say the producer benefitted by the eliminating and cutting down of costs?—A. You understand that the price, for instance,—we sold butter fat at a certain price, and they paid us that price. We were there. We represented the producers. Now, it was up to them to get their money and take care of the overhead, whatever it might be. It did not make any difference to us. But any savings they made only came to our producer members as a result of the fact that we would participate in 53 per cent of any profits that might be made; that is the point.

By Mr. Tummon:

Q. In producing or purchasing in your association you say you closed up 11 plants?—A. Yes.

Q. Did your association buy out these plants?—A. No; our association and the other 14 dairies just put their plant and equipment into the pool, into the pot, as it were, and values were appraised by the Canadian Appraisal Company, and they were allotted stock accordinng to the value of the equipment taken in. We turned in 389,000 of our stock, and we got no money out of it whatever. Other dairies did the same thing with their own; they got stock the same as we did.

Q. What position is the dairy in or what position is a fellow in whose plant is closed up? He must get some recompense, some compensation for his plant being closed up, and finding himself out of a job?—A. He has stock. He is given a certain amount of stock in the Associated Dairies.

Q. And does the owner of stock get any more dividends out of the Associated Dairies than does the plants that are operating?—A. No, he ceases to exist. For instance, the Steeves Dairy, or the Royal Dairy, ceased to exist altogether; but he is the owner of several thousand shares in the Associate Dairies.

Q. What dividends do the Associated Dairies get?—A. They do not pay any, not yet.

Q. Wherein does that dairy get any recompense?—A. Well, he probably gets it in the same place the fellow that bought oil shares or other things. They just do not exist; that is all. They have not made profits. I might say, though,—

By the Chairman:

Q. I suppose some of them are not very well satisfied, are they?—A. You understand that the Associated Dairies started in without any money at all, and it was necessary for them to make certain loans, accommodations in the bank, and so forth, and the banks even now insist on those loans being repaid, and they are getting it very nicely, and taking care of those obligations, and naturally, as long as they owe that money to the public, they can hardly defend an action where they are paying profits to themselves, when they have obligations to the public.

By Mr. Lucas:

Q. I understand you to say that 11 of those companies took stock in the Associated Dairies?—A. Yes.

Q. So that the capitalization or overhead had not been reduced.—A. Only in respect to the fact they have avoided keeping them open with a crew, men and fuel and all that sort of stuff. In other words, all the overhead or all the obligations they had were interest and taxes and depreciation. While they were open and running they had to be manned with a crew of men; that is the difference.

Q. Is there any interest paid on the capitalization?—A. No interest.

By the Chairman:

Q. Was this undertaken during the time the Produce Act was in effect?—A. Yes.

Q. Was it compulsory for this organization to enter that association?—A. No, it was a voluntary arrangement.

Witness retired.

The CHAIRMAN: At the last meeting Mr. Jones, of the Ottawa Dairy, stated that the pasteurization of milk was not compulsory in Ottawa. The Clerk informs me, upon inquiry from the city officials, that the bacteriological tests imposed by the city are so strict that no milk can pass unless it is pasteurized. I thought it was of interest to the committee to know that.

Mr. PICKEL: Do you know what it is, Mr. Chairman?

The CHAIRMAN: I do not know what the test is which is imposed by the city; but it is so strict that no milk passes unless it is pasteurized. None of the milk is fit for human consumption until it is pasteurized.

We shall meet to-morrow at the same hour, gentlemen.

Committee adjourned at 5.40 p.m. to meet Wednesday, April 19, at 3.30 p.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 19, 1933

No. 18

Reference,—Milk and Milk Products

WITNESSES:

F. O. Sargent, President Winnipeg Milk Producers' Association.

Dr. H. C. Grant, Professor of Agricultural Economics, University of Manitoba.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Wednesday, April 19, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bowman, Bouchard, Bowen, Boyes, Brown, Fafard, Hackett, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Porteous, Senn, Spotton, Tummon, Weese, Weir (*Melfort*), Weir (*Macdonald*), Wilson.

F. O. Sargent, farmer, Petersfield, Man., President, Winnipeg Milk Producers' Association, was called and sworn.

The witness read a prepared statement and was questioned at length.

Witness filed certain statements to be incorporated in the printed evidence.

Witness retired.

Dr. H. C. Grant, professor of Agricultural Economics, University of Manitoba, appeared and addressed the meeting and was accorded a vote of thanks.

Mr. Bouchard moved that the subcommittee consider the advisability of calling witnesses on the subject of pasteurization of milk.

Motion negatived.

The meeting adjourned till Thursday, April 20, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 19, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn presiding.

FREDERICK OAXLEY SARGENT, called and sworn.

By the Chairman:

Q. Please give your name to the committee?—A. Frederick Oaxley Sargent.

Q. Where are you from?—A. Petersfield, Manitoba.

Q. What is your position?—A. I am president of the Winnipeg Milk Producers' Association.

Q. Have you a statement?—A. I have a statement.

Q. Very well. We will hear it.—A. Mr. Chairman and gentlemen, on behalf of the Winnipeg District Milk Producers' Co-operative Association Limited, I herewith present to your committee the following statement in respect to the present situation the milk business of Winnipeg is in. This statement is not going to repeat the story of the milk business during the past ten years, including the time of depression with the consequent milk war, but only deals with the present situation as it has developed since milk has been declared by the Manitoba Legislature to be a public utility, and to be regulated by the Municipal and Public Utilities Commission.

To inform your committee about the past and how it came about that the milk business of Winnipeg has been put under the control of the Municipal and Public Utilities Board is shown by the speech of the chairman of this Commission delivered to the Manitoba Dairy Convention in January, 1933, which I herewith deposit with your committee as exhibit 1.

Cost of production. According to recognized authorities (Pearson) it takes the following amounts of feed to produce 100 pounds of milk—I may say that this man Pearson is one of the best authorities we claim we have on the feeding of the dairy cow—

	Lbs.
Grain	44
Hay	50
Silage	118
Roughage	39

at prices prevailing in autumn, 1918, these amounts of feed cost:—

Grain	$ 1 10
Hay	50
Silage	56
Roughage	07
Total	$ 2 23*

* For feed to produce 100 pounds of milk.

at present prices for feed the above mentioned amounts would approximately be as follows:—

Grain	50
Hay	25
Silage	40
Roughage	06
Total	$ 1 21

This amount of feed must be fed practically all the year round. In most parts of Manitoba there are not more than two to three months of good pasture available and even during that time the milk cow must have additional feed.

A milk cow requires a large amount of labour; the cow has to be fed and watered twice a day. The animals, the milk utensils, the hay, must be hauled to the farm, the milk must be delivered to the station or to the road. The costs of labour to produce 100 pounds of milk are considered to be not lower than approximately 60 cents under ordinary conditions and the amount at present 40 cents for 100 pounds of milk.

There are miscellaneous operating expenses for milk cooling and cleaning, for medicine, disinfectant, veterinary fees, testing dues, light and power, etc., which month by month, means considerable expense.

The hauling charges of approximately 25 cents per 100 pounds means another charge on the producers.

The severe climate of Manitoba requires comfortable, warm barns. If milk shall be produced under sanitary conditions, the barn also needs concrete floors, drainage, special ventilation, and an ample supply of light. The cost of a barn lodging thirty cows amounts to approximately $2,500. Interest, depreciation, insurance and repairs on such investments must therefore be added to the cost of production.

The herd charges are very high too. A good commercial cow under proper care producing approximately 6,000 to 8,000 pounds per annum did cost $150 until 1930 inclusive, so that with a herd of 30 cows there is an investment of $3,000 on which interest, depreciation and insurance have to be paid. At the present time prices for such cows are considerably reduced. A good cow can be bought at approximately $60 to $70. Having bought their herds at high prices, most of the milk producers require to write off a large amount of their herd investment.

A problem which has been considered very little by the dairy farmer of Manitoba in the past is the loss through disease, tuberculosis, hemorrhagic-septicaemia, and especially the contagious abortion disease, is the occasion of great losses in the dairy herds of this province. The farmer does not as yet realize the danger, but the provincial authorities are awake to the fact that the abortion disease (which is not controllable by serum) will, within a short time, amount to terrible capital losses.

The average cost of production during this winter in Manitoba was just on or around $1.50 to $1.60 per 100 pounds freight included.

By Mr. Pickel:

Q. Does that include everything?—A. Yes. That includes everything. Freight is included in that. That is what we claim.

By Mr. Tummon:

Q. How many months does that cover?—A. Five months. October to February.

Q. Can you give us the total?—A. No. I have not the total. These figures can only be applied to herds producing over 7,000 pounds per year, and farmers who have cows below this average are losing money under the present regulations of the Municipal and Public Utilities Board, and it is a fact that a certain percentage of our Winnipeg Producers will be put out of business.

Re milk as a Public Utility in Winnipeg. I herewith deposit with your committee the orders of the Municipal and Public Board and wish to remark that the prices are fixed all around, and that this was the only method for the Municipal and Public Utilities Board to settle the question. If prices were fixed to the producer, some new companies with very low investments, after the type of Chain stores, only selling to their own stores and taking no responsibility regarding the business as a whole, including the wagon business, could take the situation in hand, throughout and monopolize on figures they see fit. Milk being a public utility needs control all around, otherwise the regulation would break down under the pressure of the free marketing system.

The Municipal and Public Utilities Board in Winnipeg is not regulating its Orders with the Police Force, but with the view to being reasonable with all concerned, and to arrange matters as you might say on a general agreement basis.

The Board is evidently taking the average producer and average distributor as a basis to work on, as far as prices are concerned, so that the basis of its policy is economically and financially sound.

I herewith submit to your committee the actual figures as supplied by the Municipal and Public Utilities Board for the month of October, 1933, up to and including March, 1934, as exhibit three. (See appendix.)

By the Chairman:

Q. I imagine the committee may want to ask you some questions based on that, and I think you should read it?—A. Very well. "In October the total purchase...."—I want to go further and say that these figures—30 per cent of the milk that goes into the city of Winnipeg is not represented on these figures. The producer-distributor handles about 30 per cent of the milk that goes into Winnipeg that is under the Public Utilities Board, but they have not gone to the extent—because it would be a big expense—to make him keep statements, because some of them do not keep accurate figures like the larger companies.

By Mr. Tummon:

Q. Will you explain how he is under the Utility Board?—A. Well, they inspect all his sales. They have a supervisor and two inspectors that go to every store and inspect the milk and inspect the invoices to see that they are charging the regular price to the store, and they also go to the houses and find out how much they pay, and if they get a complaint they are sent out immediately to see whether the complaint is correct or not—if anybody tries to cut prices or anything of that kind; but the commissioner told me the night before I left that they had had no trouble at all with the small peddler—in fact they have had very little trouble of any kind.

By Mr. Bowman:

Q. He would have to have a licence from the Board?—A. No, sir; they are not licensed yet.

Q. What about inspection of their premises?—A. That is done by the city in the Winnipeg area.

Q. And as to the small independent producer or vendor, does he not have a licence from somebody?—A. He has a licence from the city of Winnipeg. They have a special charter that the province cannot interfere with—the city of Winnipeg work under a charter of their own.

Q. Where does the Municipal and Public Utility Board come in with respect to the small man?—A. Well, just regulating the price.

Q. Just what you told us—the matter of regulation of prices?—A. That is all; the regulation of prices.

By Mr. Pickel:

Q. The small man you spoke of is the man who does his own distributing—who has a dairy and does his own distributing?—A. Yes. There is no compulsory pasteurization in the city of Winnipeg. It is just from the milk that is shipped in from the outside shipper who has not T.B. tested herds. All the small shippers have to have T.B. tested herds, and they have to have their barns inspected by the city.

By Mr. Bowman:

Q. Under city by-laws?—A. Yes.

Q. What is the difference with regard to the power of the Municipal Public Utilities Board over the small producer and vendor and the man whose records you have before you? You are going to give us details of the other 70 per cent now for the month of October 1932 to February 1933. What different control does the Municipal and Public Utilities Board exercise over the men that are set up in your statement and the small vendor?—A. No difference.

By Mr. Tummon:

Q. Any more than they have no record?—A. Any more than they have no record. That is all. That is all the difference—no difference. "Total purchases. . ."

Q. This is for October 1932?—A. Yes. This goes back to October. "5,881,667, full price basis." Now, that is what the dairies paid full price for—5,185,129 pounds butterfat basis. This is the amount they paid at butterfat basis.

By Mr. Bowman:

Q. That would be the difference between 5,800,000 and 5,100,000?

By Mr. Pickel:

Q. That is what we call surplus here?—A. Well, that would be 1,047,784.

By Mr. Bowman:

Q. How do you get that again?—A. The fluid milk sales. You see the difference between the amount purchased and the full price milk—the difference between the total amount purchased and the fluid sales. Their fluid sales were only 4,833,883 pounds.

Mr. Tummon: You gave us 5,185,189.

The Chairman: That is the total purchase.

Witness: 5,881,667. That is the full amount purchased.

By Mr. Bowman:

Q. What was the 5,000,000 odd thousand you gave us? What are those figures?—A. That is the manufactured milk.

By Mr. Tummon:

Q. Your total purchases for October were 5,881,667?—A. Yes.

Q. Now, what was the next you gave us?—A. Full price basis.

Q. That was what they paid the producer?—A. Full price.

Q. How much was that?—A. 5,185,189.

Q. Now, what was the next. You are starting on what they paid on butterfat?—A. On the butterfat basis it amounted to about 696,538 pounds.

By Mr. Bowman:

Q. That is the difference between the two sums you have just given us?—A. Yes. Now, the gross value of the purchase was $89,987.28. Fluid milk sales were 4,833,883, and the manufactured milk was 1,047,484. Overpaid—now, that is what they overpaid more than they really sold full price for. They overpaid us 6.6. You see they have got to have a surplus all the time. It fluctuates from day to day. So that they overpaid us 6.6 and the over-all price for all the milk in October was $1·530.

By Mr. Bowman:

Q. That is what you got for everything delivered?—A. That is for everything delivered. Now, November was 5,338,470 pounds; full price basis, 4,947,322; butterfat basis, 390,147; gross value of purchases $82,719.17; fluid sales 4,720,255; manufactured milk 618,215; overpaid 4·8; over all prices $1·549.

This month gives you something that is interesting again, sales against last month ·9 of an increase; purchased as against last month 6·6.

December, total purchases 5,663,904 pounds; full price basis 5,109,616; butterfat basis 554,288; gross value of purchases $85,630.85; fluid sales 4,845,715; manufactured milk 818,189; overpaid .54.

By the Chairman:

Q. In that decimal that you are giving I presume it indicates a percentage of the whole?—A. Yes, that they overpaid us; they paid us for that much more than they sold.

By Mr. Bowman:

Q. December .54, did you say?—A. Decimal 54.

Q. Before, you gave us, for the first month you gave, 6.6 and for the next, 4.8.—A. 4.8.

Q. Now, it has come down to .54—A. 54 overpaid.

Q. Is it .54 or 5.4?—A. Decimal—5.4.

By the Chairman:

Q. That is half of one per cent?—A. Yes

Q. And the other at 6 per cent?—A. Yes.

Overall price $1.511; sales against last month is minus .7; purchases against last month are up 2.6.

January, is 5,790,076; full price basis 5,151,620; butterfat basis 639,456; gross value $86,835.98; fluid sales 4,865,148; manufactured 924,928; overpaid 5.86; overall price $1.50; sales against last month up .4; purchases against last month 2.23.

By the Chairman:

Q. That is an increase?—A. An increase.

February,—you have to take into consideration in distribution that February is only a 28 day month—5,390,614; full price basis 4,721,020; butterfat basis 669,594; gross value $79,503.09; fluid sales 4,526,401; manufactured 864,213;

overpaid 4.30; overall price $1.4475; sales against last month .43—3 per cent up; purchases against last month 3.08. One thing that is noticeable in this is that since we have gone under the Public Utilities Board and raised the price to the consumer from 8 cents,—

By Mr. Tummon:

Q. By how much?—A. From 8 cents, it was selling at 8 cents when they took hold of it—and our sales have gone up 3 per cent. This is the statement I got just before I left.

By Mr. Bowman:

Q. How do you account for that?—A. Well, I don't know, I think that is a question maybe for the distributors to account for. All I know is that the Utilities Board states that, I cannot account for it.

By Mr. Tummon:

Q. But you can't really tell by your sales, because your 30 per cent of small dealers may have gone down that much or more, you have no record.—A. Yes, you are quite correct, there might have been a difference there; they might have taken some from these small pedlars. But I will say this, that the president of the Pedlars association, with whom I am very closely in touch, told me that their sales were if anything, better. They have reaped more benefit from it than we have, because they get it two ways, there is no doubt about it—they get it both in the producing end, and in the selling end.

By Mr. Bowman:

Q. Have your organization and the Pedlars Association as you call it, gotten along very well?—A. Well, this was given to me by the Commissioner, just as I left on the train, a note he handed to me; "The consumption of fluid milk has increased 3.05 per cent since the first of October." He just handed it to me that Sunday night when I was getting on the train.

By Mr. Pickel:

Q. Is that the date milk went under the Public Utilities Commission?—A. Yes.

By Mr. Bowman:

Q. That first of October you referred to is what year, 1932?—A. Yes, that is the first month we worked under the Board.

By Mr. Pickel:

Q. What was the price of fluid milk in Winnipeg before that?—A. We were getting 93 cents for fluid milk, and it cost us on an average of about 25 cents a hundred to get it in.

Q. Was that 3.5 milk?—A. 3.5 milk—we work on a 3.5 basis.

By the Chairman:

Q. Have you completed your statement, Mr. Sargent?—A. No.

Q. I think we had better allow him to do that.—A. The actual spread between the Producers and Consumers price in Winnipeg for the past ten years, in shown as per attached table, which I deposit with you as exhibit four.

At present the following table is in practice with the assumption that the producer is getting approximately four cents per quart for fluid milk.

By Mr. Bowman:

Q. That is net?—A. No. we have freight charges to take off that.

Q. How much, on the average?—A. About 25 cents a hundred.

Q. That is 3.75 net per quart?—A. No, no.

Q. Well give it to us any way you have it so we will know what it is?—A. I have got it here, the retail prices.

Q. What would it be net?—A. We got about 4 cents. Then you have got to take, by the hundred—about $1.60—and take 25 cents off that, you see. I know that the distributors claim that it won't make hardly 40 quarts but our association always figure we can get about 40 quarts out of it. They claim, they have it down to fractions pretty well—

By Mr. Pickel:

Q. There is lots of water handled, I suppose?—A. Well—

At the present the following table is in practice with the assumption that the producer is getting approximately 4 cents a quart.

		Operating spread
	cts.	cents
Retail milk	10	6
Relief milk off wagon	8	4
Milk sold to stores	$7\frac{1}{2}$	$3\frac{1}{2}$
Bulk milk	$6\frac{1}{4}$	$2\frac{1}{4}$

The actual operating spread of the different distributing companies is different on account of the fact that there are different quantities sold, as, retail, wagon relief milk, store milk and bulk milk.

For three different companies the spread to-day is as follows:—4.7, 4.8 and 4.4.

Some of the creameries claim that this spread is not sufficient for them to operate on. As a matter of fact, it is quite apparent that two of the distributing companies are not receiving a sufficient spread to pay their operating expenses, as well as their bond interest, while three other companies which retail, and one chain store which pasteurizes milk for its own stores seem to manage on the present spreads.

One of the pasteurizing companies is not paying the price of $1.54 as ordered by the municipal and public utilities board, but is paying $1.74 for all milk, sold as retail milk, and this company has done so all winter.

Questions not yet satisfactorily settled for the Producers: The distributing plants require from 9 to 12 per cent of their supply of milk for standardizing purposes, namely for cutting cream, making buttermilk and ice cream. Under the present orders of the municipal and public utilities board for this milk they only have to pay butterfat prices, which is approximately 70 cents at the rate of 3·5 per cent of butterfat. It is quite evident that at 70 cents there are only 3·5 per cent of butterfat available on the open market, while the farmer actually ships 100 lbs, of whole milk at 3·5 butterfat, therefore the farmer is giving the creameries the freight on 100 pounds of milk, which averages ·25$\frac{3}{4}$ per 100 pounds and the skim milk which is approximately 10 cents per 100 pounds without geting any consideration for it. Besides that the distributors are making a good profit on the sales of buttermilk, cream and ice-cream. As a matter of fact it is quite evident that cream and ice-cream are better paying propositions for the distributing companies than whole milk.

There is also no control of weights and a very inadequate control of butterfat tests. A proper method in this respect should be established by replacing the present scales of the distributing companies with automatic recording units, and by a governement test system whereby the testing of butterfat might be actually done by the government officials.

The handling of surplus milk is as yet not settled. It would be of great advantage to establish a milk shed by licensing all producers and thus prohibiting any new shippers coming into the field of whole milk marketing until cause is shown.

The better plan would be if the producers' associations would establish themselves into a selling association whereby they would only sell the fluid milk requirements to the distributing companies and use the actual surplus milk for manufacturing purposes, the products to be marketed by the producers' association.

The question of new pasteurizing plants to come into the whole milk market should also be considered very seriously. At present there are sufficient creameries in Winnipeg to handle the milk and we take the attitude that each new creamery is detrimental to both producers and consumers, as it increases the operating spread of the distributing companies. There are sufficient distributing companies in Winnipeg and therefore no new company should be allowed to enter into the field until cause is shown by an increased market.

It should be recognized that milk ordinarily produced for cream, namely all seasonable milk, should not enter into competition with the whole milk supply. The whole milk producer has to guarantee the whole milk markets with a sufficient supply all the year around, which means considerably higher expenses to the whole milk producer in comparison with the cream shipper.

Therefore, a differential should be recognized between the price for cream and whole milk, which should not only cover the diffrence in expenses shown as freight, value of skim milk, but recognition should be given to the fact that the whole milk producer must have an equal supply of milk all the year around, and take better care regarding his herd, cleanliness, hygiene, etc.

In the United States of America this differential has been recognized by the last convention of the milk dealers in Detroit last fall, where this differential was established at the lowest level of 45 cents per hundred, and with the highest level at 90 cents per hundred.

The question of capitalization of the distributing companies should not be considered by regulating the prices to be paid, as there is a great difference between the old established companies working on inflated investments, while the new companies are working under present adjusted conditions. This does not mean that the old companies should be put out of business but that they have to adjust their capitalization and investments in accordance with the present prices, an adjustment which has taken place with the farmer and in many other lines of industries in Canada, and which adjustment in a general way has to come about all over.

By the Chairman:

Q. Do you have contracts, Mr. Sargent, with the distributors, that is to keep up an even flow of milk winter and summer?—A. Yes. We call it a quota we have to supply every month. What I mean, each man is given a certain amount of milk, and he has to supply that; he is supposed to supply that every month. If he goes down, he is cut right straight away.

Q. The year around?—A. Yes, the year around.

Q. You say that approximately 30 per cent of the milk is being distributed by smaller companies of which you have no record. Have the number of smaller distributors increased since milk was declared a public utility?—A. No, they have not. They are going down all the time. I might say there used to be 120, and now there is only about 100.

Q. How do you account for that?—A. Well, in some cases they are shipping their milk now to the creameries. The creameries are taking over their routes. I don't know. There was some of them, I might say, I am positive that got in very bad financial shape while our low prices were on.

Q. Would you suggest that under present conditions it might have the effect of centralizing the distributing business into the hands of a few of the larger companies?—A. No.

Q. If the smaller ones are being squeezed out under present arrangements?—A. No, they are not. I made the statement that the smaller man had received more benefit from this than we had, as distributors, because they got it two ways. They got it both in the sale end and in the production end. They were selling for eight cents; now they are selling for ten. We were having to produce milk for 83 cents with the freight; of course they had to come down and meet that competition. Milk got down to as low as five cents in Winnipeg, in these stores.

Q. You have prohibited absolutely the sale of milk in chain stores?—A. No, chain stores all handle it. I think if I am not mistaken—I won't be sure—but I think there are 212 stores in Winnipeg handling milk. Professor Grant may be able to tell you that.

Q. What spread are they allowed?—A. I gave you the figures. It is in that.

Q. Did you?—A. Yes, it is in that other statement, and that statement has gone away.

By Mr. Pickel:

Q. Who supplies those stores?—A. There is one of our chain stores has a pasteurizing plant of their own.

Q. Do they buy from the producer?—A. They buy from the producer. They are the people that paid $1.74 all winter.

Q. These prices you have given us, are they prices that have been established by the commission to the producer?—A. Yes, $1.54.

By Mr. Bowman:

Q. Just following up the question just asked, you say that the commission have established a price of $1.54; that is less 25 cents for haulage?——A. No, we have to pay the haulage out of that $1.54.

By Mr. Pickel:

Q. That is net to the producer, $1.54?—A. No.

By Mr. Bowman:

Q. $1.54, less 25 cents a hundred?—A. Yes, sure, most decidedly.

Q. This price which is set by the board, for how long does it continue? How often do they change it?—A. Well, that can't be changed, unless somebody applies to the board for a hearing. The distributors have a right to a hearing, to call a hearing, or the producer, or the purchaser, the public, if they feel that they are paying too much for milk; they have a right to call for a hearing just the same as we have, if we figure we are getting too little for our milk.

Q. The price set at the present time is $1.54, as you have just stated?—A. Yes.

Q. When was that price set?—A. Last October.

Q. Last October?—A. Yes, I think it was—the 6th of September, was it not? Here is the statement.

The CHAIRMAN: The 29th of November.

The WITNESS: Yes. I beg your pardon. Here is the order right here that I filed, the 29th of November, A.D. 1932, No. 683.

By Mr. Bowman:

Q. So that continues until somebody asks for a rehearing, and then the matter is determined as a result of the rehearing before the board?—A. Quite right.

By Mr. Pickel:

Q. What was the price you were paying to the producer just prior to this order by the commission for $1.54?—A. What was the producer getting?

Q. Yes, what was the producer getting?—A. 93 cents for 3·5 milk.

Q. Less 25 cents?——A. Less 25 cents a hundred for freight, yes.

By Mr. Tummon:

Q. By whom is this board appointed?—A. The Public Utility Board?

Q. Yes?—A. By the provincial government.

Q. How is the representation made up on the board?—A. Well, there are three men on it; one represents the consumer; one the farmer; the chairman is a barrister in the city of Winnipeg.

Q. Representing the goverment generally?—A. Yes.

Q. The legal department?—A. They are supposed to be—they are independent of the government.

By Mr. Pickel:

Q. As things are to-day, you say it costs $1.50 to produce 100 pounds of milk?—A. We figure it did this winter.

Q. $1.50?—A. Yes, about that.

Q. And the farmer is getting $1.54?—A. Between that and $1.60.

Q. The farmer is getting $1.54.—A. It is hard to give a figure, because one herd may produce 4,000 pounds.

Q. That is all right.—A. They have got to produce over 7,000 pounds, we figure. The best producers do that. There are more producing in the low.

Mr. Bowman: The witness has just said $1.54, less 25 cents.

Mr. Pickel: Yes. That is, the farmer is really receiving less than it costs him to produce.

The Witness: Yes.

Mr. Pickel: At present conditions.

The Witness: A lot of them are

The Chairman: Are the committee satisfied? I understand we have Professor Grant with us this afternoon, and perhaps you would like to hear him as soon as you are through questioning the present witness. Any further questions, gentlemen?

By Mr. Bowman:

Q. The appointment of this board has made a substantial improvement in your case?—A. There is no doubt about it.

By Mr. Pickel:

Q. The outstanding fact is that the farmer in Manitoba, surrounding Winnipeg, is still producing at a loss; that is, he is supplying milk at a loss?—A. Yes. I said in the statement I figured out some would still go out of business that had low producing herds, were just able to get by with high producing herds. That is about all any business is doing to-day.

By the Chairman:

Q. What would you say was a profitable producing herd?—A. Well, according to my figures, there would have to be over 7,000 pounds.

Q. Of course, you would not attempt to bolster up inefficient methods of farming even then, would you?—A. No.

Q. That is if the average farmer has a poor herd of cattle, you could not expect to—A. Set prices accordingly?

Q. —set prices accordingly?—A. No, most decidedly not.

Q. I suppose if a man had a herd that averaged 9,000 pounds per cow, he would be making a fair rate of profit?—A. Well, that would be his good management; I would figure it should be.

Mr. WEIR (Macdonald): A point that may be confusing,—I think the committee should understand that the public utility commission in Manitoba is not appointed to deal with milk only. It is a public utility commission that may deal with anything.

The WITNESS: Yes.

Mr. WEIR: Merely that milk came up as one problem to deal with, and they dealt with it.

The WITNESS: That is right.

The CHAIRMAN: Any further questions?

The CHAIRMAN: I am sure the committee will be pleased to hear Professor Grant of the University of Manitoba.

Dr. H. C. GRANT, Professor of Agricultural Economics, University of Manitoba, called.

Q. The CHAIRMAN: I understand, gentlemen, that Professor Grant does not wish to make any statement, but is willing to reply to any questions that are in the minds of the committee.

Mr. TUMMON: Mr. Chairman, it was intimated to me that Professor Grant had considerable to do with the appointing of the bringing into being of the Municipal Utility Board under the conditions particularly, I presume, in regard to milk. I think it would be interesting if the committee heard from Professor Grant data in regard to some of those things.

The WITNESS: Well gentlemen, I would much prefer to be pumped, or primed, if you will, because I did not come here particularly to make a statement or even to appear before this board. I came here in connection with giving a paper before the Dairy Producers' Convention. The last speaker mentioned the fact that I had considerable to do with the experiment in public utility control in Manitoba. I think we quite frankly admit that it is an experiment. Those of you who are familiar with public utility theory and public utility regulations, will probably have some difficulty in trying to place milk in a public utility category. I must admit I have some difficulty myself. I can conceive of it as a public utility on probably two basis; one the general principle in connection with public utility that any matter or grave public import may be considered so. That is a general pragmatic interpretation that has developed in connection with public utility control in late years. Then, if we can conceive of milk, as I believe at the present time we can, as of considerable public importance, not only from the producers' standpoint, but also from the consumers' standpoint, then I think you can advance good grounds for using what public facilities you have to control it in an emergency. I may say, however, in connection with my report on the milk situation in Winnipeg, that while I did suggest public utility control as a measure of relief, it was not my first suggestion. It was the second alternative which I placed before the industry in Winnipeg. My first suggestion was that inasmuch as milk is a distinct commodity within the category of dairy products, the fluid milk, milk for fluid consumption is a distinct commodity, it is different from just milk. Probably you have had that well placed before you in those hearings.

By Mr. Bouchard:

Q. Do you include cream in that?—A. Yes; that is fluid cream, cream for domestic consumption; that is, if we should conceive of it as that, as we should. It is a distinct commodity which on the basis of health and public convenience, demands, if you will, certain added costs in its production. There is no doubt about that. To produce high class sanitary milk, which we demand to-day, then it is more than just milk as such. And until civic authorities, by means of proper civic ordinances consider it as such, the difficulties which we have in the milk business to-day, will constantly face us; because at any time, a man who is an indiscriminate milk shipper, a man who is just an ordinary cream shipper can, under those circumstances, such as we are going through at the present time, and cutthroat competition in the distributing business —distributors can pick him out of that cream shipping class, and bring him into the fluid milk market. It is my contention he should never be there. The term we use in that connection is market exclusion. That is, that in any particular city there is a market for fluid milk as such, and there should be civic ordinances surrounding the production of milk, which will guarantee its quality and quantity over a long period of years, and anything prejudicial to that should not be permitted to enter into the milk situation. I therefore recommended as my first suggestion in the Winnipeg situation that the civic milk ordinances should be tightened up; that we should have a real ordinance which would protect a man who had been living up to this quality and regulations, etc.

It is not always easy to get any governmental body to move, and the civic authorities did not act; neither did the producers act. Now, some blamed the producers' organization. I do not believe the producers' organizations themselves in the past have considered the importance of one of the major jobs of their association, which is, to see that they themselves had quality requirements in their own organizations that would keep out the man who could just come into the milk business. Can that be done? Yes, it can be done. It is the primary function of any milk dealers' association to raise the standard and quality of their milk.

Of course, when you come to an emergency, and you have got an unregulated supply of milk outside the producers' association, you can hardly expect the producers' association to get up and further diminish their ranks by weeding out the low class producer, because he can immediately ship over to somebody else who is in the milk business. But I do think, gentlemen, that a great deal of our trouble is because our civic milk ordinances are neither sufficient nor sufficiently enforced.

By the Chairman:

Q. You mean regulating the producers?—A. Yes; that is, setting up standards in connection with production of milk.

By Mr. Bouchard:

Q. Would you rather a prevention policy?—A. Well now, that is a matter on which I am not capable of deciding. I think it is a matter of local import. Personally, I am in favour of having it done by whoever would do it. The point is, sometimes civic authorities won't act. If you can get your provincial authorities to act, why all right. But then you come into a local situation where you have your civic and provincial authorities at loggerheads. That is just one of the things we suffer from.

By Mr. Bowman:

Q. The question of jurisdiction may arise, also.—A. Yes; but most of those things, if everybody is co-operative, can be worked out by compromise.

By Mr. Bouchard:

Q. If there was a lack of milk, for instance, in Montreal, the Quebec producer would not be allowed to enter the Montreal market?—A. I did not get your first point.

Q. If there was a lack of milk supply, for instance, in Montreal, the Quebec producer would not be allowed to supply the Montreal market because their regulations do not comply exactly with the civic regulations in Montreal. A disturbing point is this: we are going to educate the farmers along the line of preparing their stables, and all the regulations about ventilation and so on. We are disturbing their minds with so many different conflicting regulations.—A. Of course, I do not think that should be.

Q. But it is very disheartening.—A. There should not be any conflicting regulations.

Q. The provincial regulations would settle this by a competent body from all over the province, working in accord with the college professors, members of Board of Health, Doctors, and so on, and I think it would be much more satisfactory.—A. Well, as I say, I am not expressing an opinion one way or the other. I think it is a case of working it out.

By Mr. Pickel:

Q. The previous witness told us that the price of milk in Winnipeg previous to the Public Utilities Commission was 93 cents a hundred.

Mr. BOWMAN: Less 25.

By Mr. Pickel:

Q. Less 25. Now, the Public Utilities Commission makes this $1.54. That is not helping the producer any, comparing it with what it does for the distributor. The distributor is making 80 cents a hundred more on that milk and the producer is getting 57 cents a hundred more. It seems to me under those regulations that the distributor is the man who is being favoured.—A. Well, you had better ask a distributor that question; there must be something wrong in your calculations. I cannot just do it offhand, but I think, gentlemen, the consensus of opinion is, and it is my opinion, that the producer was well looked after in our regulations, relatively speaking. I would not say that because I have not got the figures. Mr. Aird can give them to you offhand; but I would not say that is the way it worked out.

Q. Those were the figures. They are allowed to charge two cents more a quart, and they get 40 quarts a hundred pouns.—A. 38·8.

Q. He calculated 40, and he gets 80 cents more on a hundred pounds.—A. Then, you have got to take into consideration the milk that is still sold as store milk; 27 per cent of it goes into relief milk. It is not all 10 cent milk. Now, I would not say offhand that our regulations—I do not think Mr. Sargent would agree at all that our regulations favour the distributor.

Mr. TUMMON: There would be a lot of things that enter into the making of that comparison.—A. Oh, yes. Just offhand, I know talking this over with the men before I left, and looking over their figures, the distributors are the ones that are complaining about our prices in Winnipeg.

By the Chairman:

Q. I should like to ask you something there in that connection. I understand that you had something to do with the organizing or the setting up of this board. Did you regulate the number of the board?—A. No.

Q. Can you tell the committee the basis upon which the price to the producer was calculated when it was set by the board?—A. There was no scientific basis of calculating the price of milk, and I do not know of any. Various com-

missions have attempted to arrive at the price of milk and the cost of production figures; but you just get into a maze of figures that do not get you anywhere; because you are going to ask how long those costs are going to last.

Mr. BOUCHARD: The same thing happened in Quebec.

WITNESS: Absolutely.

By the Chairman:

Q. You do not mean to say they just made a stab in the dark at it?—A. Let me tell you. You must remember the Public Utility Board came in there when there was a fight on. The producers were asking for one thing, the distributors were asking for another thing, and the chain stores were asking for nothing except to leave them alone. They appeared before the board, and the board tried to get evidence on cost of production. I told them they could not get it, but they still continued to try, and eventually they came to the same conclusion. I suggested to the board, one general criteria in this milk study, which I made here. I showed the relationship between the price of milk and the general commodity wholesale index number, and the retail price over a period of years. I made the suggestion that on the basis of the previous relationships that you had a mark to shoot at; that is, if the index number at the present time was around about 72 per cent, then there was something that the price of milk might be in relation to at the present time. It worked out at about 10 cents a quart and I suggested to the Public Utilities Commission, when I was appearing before them in evidence that that was, in my judgment, a fair price for milk distributed off the wagon, ten cents a quart. Well, of course, that was something to start on. From there, down to what the producer got, it was a question of the producers asking for one thing, and the distributors asking for another.

By Mr. Pickel:

Q. And as I say, the distributor got the long end of it.—A. Now, between those two levels, there is some place where you can attempt to reach a compromise decisions. I mean, with our previous plan, with no arbitrary board, you would never get anywhere. But finally, the Utilities Commission, on the basis of 10 cent milk delivered to the door, 8 cent milk to chain stores, said that, we will say, the price is $1.55. We are not saying that is the cost of production; we are saying that is an emergency measure, which, at least, raises the price to the producer, and then, by trial and error, we will see how it works out. We are quite frank to admit that it was merely an empirical decision.

By the Chairman:

Q. You did not have, I suppose, due consideration for the welfare of the distributing companies?—A. No, I would say no, and I think Mr. Aird will agree with me.

Q. That is the point, and I think it is a very vital one, because if you are going to put the distributing companies out of business by arbitrary setting, it would not be a good thing.—A. No, I agree with you there; but you are faced with this; you are faced with bringing some sort of sanity out of actual chaos.

By Mr. Bowman:

Q. It is really a measure of compromise.—A. Yes, absolutely.

By Mr. Tummon:

Q. And, on the whole, it is as you said, an experiment.—A. It is an experiment, absolutely. There is no doubt about it as far as Winnipeg is concerned. There is no doubt about it that it is probable that some distributors

are finding it difficult to operate under our prices; other distributors are finding it all right. In fact we have some distributors who say that they are making too much money under the present spread.

Mr. SPOTTON: Have you a photograph of that fellow?

The WITNESS: He is a communist. It is a co-operative distributing organization.

By Mr. Boyes:

Q. With regard to that gentleman who makes that assertion, is he connected with a less expensive plant?—A. There are two things that probably are not understood in that connection. In the first place, he has a less expensive plant; In the second place, he really does not have to take care of much surplus because while he possibly does not know this he really has an arbitrary plan of saying who will ship milk to him. That is, he has set up his own milk shippers and if he has too much milk he just cuts off the bottom end. Now, as I tell him quite frankly, if the other distributors did that there would be a row.

By Mr. Tummon:

Q. He is in a sense in a protected position?—A. He is and even though he is a co-operative, he is in a protected position. That is he can do what, where they have an organized producers' association, they will not let the distributors do.

By the Chairman:

Q. He is not a member of the Producers' Association?—A. No. His shippers may be—one or two; but I do not think any of them are members of Mr. Sargent's organization.

Q. I am afraid that is not very good business tactics on the part of the Commission to allow things like that to go on?—A. We do not believe, Mr. Chairman, that we have reached the acme of perfection in handling the milk situation. Mr. Cottingham, the chairman, is as open-minded as anyone and is as critical of his own set-up as anyone. There are lots of things we do not do. There are lots of things in our situation in Winnipeg which might be better. We cannot do these things just overnight. We believe that we have done something that is unique and have made some fair degree of success. We are not convinced that it is a permanent solution; we are not convinced it is the perfect solution; we are presenting it to you for what it is worth as a measure.

By Mr. Pickel:

Q. You are on the right track if you only go far enough?—A. Well, how far we will go we do not know. It is a matter of trial and error.

By Mr. Tummon:

Q. You feel that so far it has been a benefit.—A. Yes. I say that without any doubt at all in my mind, simply because I know that I have been called in in the American States. Both Pennsylvania and New York are attempting the same thing in the same way—that is as an emergency measure.

Q. Would you confirm that by saying in what way you feel it has been a success?—A. Yes. I think it brought at least temporary stability in the milk industry in Winnipeg; second, it eliminated the leader selling of milk in chain stores which, I think, is a tremendous success; third, it raised the price to the producer. It may be that it should have been raised more. There may be criticisms; but undoubtedly it raised the price. And fourth, it actually solved an impossible situation at that time. That is, there was no possible chance of getting the producer, the regular distributor and the chain store together. Now, the chain store proposition as I see it, once this leader business is handled, is not such a tremendous proposition.

By Mr. Brown:

Q. You mean by the leader business that they have been selling at a low price?—A. Yes, with a loaf of bread.

By Mr. Tummon:

Q. They were using the milk as a leader in order to get people into their stores?—A. Yes.

Q. And when they were there they bought other things?—A. Yes. We have one group of chain stores in Winnipeg that we supposed to be the nigger in the woodpile. Once you prohibit them selling milk at a chain store and we found out something about that—we found out that they only handled 3 per cent of the milk business. There is one other thing that is important, very important. Whenever we sit down with distributors to bargain for prices for the producers' association we are almost completely in the dark. Producers can say there is an over-supply of milk, distributors can say there is an under-supply of milk, producers can say, "why our pastures are failing and supply decreases" and the distributors can say, "the peddler is taking away our business." Nobody knows. One of the best things about our Public Utilities control is that we know; Public Utilities Commission has the information. Now, you do not know. It is not open to you and it is not open to me; but when either party talks about the volume of milk in Winnipeg and how much is in the chain store and how much is with the peddler and how much is wholesale, how much is surplus—which is an important thing—the committee knows. There is no doubt about it.

By Mr. Tummon:

Q. They will have a better grasp of the whole situation if they have the records?—A. Absolutely. In my business I have often stressed that. I said that the most important thing we need in this milk situation in Winnipeg is facts about the milk situation, and if we did not do anything else—if we have a committee that arbitrates prices with all the information, it is their's alone; nobody else gets it, and you are somewhere where you were not before.

By Mr. Bowman:

Q. They would have a better idea if they had inspection in the plants to check up on the surplus?—A. Oh, we have inspection in Winnipeg. Well, we demand a monthly report and we can inspect it any time we want.

By Mr. Tummon:

Q. Does the city of Winnipeg make pasteurization of milk compulsory?—A. No.

Q. Are the 30 per cent selling pasteurized milk or not?—A. I do not know what you mean by the 30 per cent.

Q. Mr. Sargent told us that 30 per cent—

The CHAIRMAN: Thirty per cent of the milk distributors.

Mr. TUMMON: Thirty per cent of the milk distributors did not belong to the association. He called them outlaws.

Mr. BOWMAN: He called them the peddlars' association.

The WITNESS: They are peddlars, yes.

By Mr. Bowman:

Q. Do they deliver an unpasteurized milk?—A. Yes. There has to be a T.B. test of the milk. The herds are T.B. tested, but it does not mean a great deal.

Q. Are the large distributing plants distributing pasteurized products?—A. Oh, yes. It is not compulsory, but they do it.

By the Chairman:

Q. And the Board does not exercise any jurisdiction over that to eliminate one or the other?—A. Over which?

Q. Over allowing the men to compete with the higher class milk?—A. No; for the reason that that again is a case where we have a civic ordinance and a case of interference between the Public Utilities Commission—now, the Public Utilities Commission are not anxious to go any further than public opinion will permit them. In the first place, I tell you quite frankly the Public Utilities Commission did not want to be bothered with the milk business.

By Mr. Boyes:

Q. Does the producer-distributor who does not pasteurize his milk get the same price as the other?—A. No. He sells usually at a lower price than the pasteurized price.

By Mr. Pickel:

Q. Is he permitted to sell it at a lower price?—A. Yes. We have not touched the peddlar.

By Mr. Boyes:

Q. Is there no regulation as to the price that it is being sold at to the consumer?—A. No. By the peddlar?

Q. Can he sell at any price?—A. He can sell at any price.

By Mr. Tummon:

Q. Is it a better milk or a worse milk?—A. In my opinion it is worse.

By Mr. Boyes:

Q. Does he sell by the bottle?—A. I do not think he can sell loose milk. I am not sure.

By Mr. Bowman:

Q. What is this order by the Commission? What does it cover when the price is set at $1.54 a hundred?—A. It covers the price paid by the distributor to the producer of milk to the pasteurization plant.

By Mr. Pickel:

Q. I understood Mr. Sargent to say that that 10 cent rate was universal in Winnipeg?—A. It does not apply to the peddlar distributor.

Mr. SARGENT: Could I correct my friend. He is absolutely wrong. The orders I have handed him will show that the small distributor has to comply with those orders. I gave you a copy of the orders.

By Mr. Bowman:

Q. If the order was not uniform in some respects surely it would encourage the small producer to sell his whole milk unpasteurized. That is the point I was making there?—A. Well, I do not intend to stand corrected until Mr. Cottingham corrects me, because I asked him if he had made any attempt to regulate the peddlar and he said no.

Q. Now, right there, I was not quite clear when Mr. Sargent was giving his evidence with respect to this Public Utilities Commission. He said that besides the chairman there were two others. Are these two added to the Board just specially in this connection?—A. No, they are just the Public Utilities Commission.

Q. And the matter had been just referred to them really more as a matter of consent, in the first place, was it not?—A. Oh, yes, they were not anxious to assume that at all.

Q. In order to get out of the difficulty?—A. Absolutely. I mean we placed it under the Public Utilities Commission just as an expedient. I mean, I am open to conviction that it might be—the same thing might be done under any other kind of a board. That is the experience in the States. We did it under the Public Utilities Commission because it was handy and was available and we had confidence and faith in the Public Utilities Commission.

By the Chairman:

Q. Is Winnipeg the only city where a Public Utilities Commission control?—A. It is, yes, but they may have control in other areas.

By Mr. Mullins:

Q. Where does Mr. Parish sell his milk to-day?—A. I don't think Mr. Parish is producing milk now, is he?

Q. What is that?—A. Does he still own the Dundeen Dairy?

Q. He has his own certified dairy at the north end of Winnipeg?—A. I think he sells it to one of the distributors, I am not sure, but I think he does that.

Q. He does not distribute direct?—A. No, he does not produce certified milk any more. He used to produce certified milk, I don't think he does any more.

The CHAIRMAN: Any further questions, gentlemen.

By Mr. Loucks:

Q. In understand your statement was this T.B. inspection was not made now; what inspections do you give, do the by-laws of the city of Winnipeg make provision for checking up on this?—A. I mean that this way, they have T.B. inspection but T.B. inspection does not guarantee the quality of the milk. You could have mastitis, or the people who handle the milk may have typhoid fever or diphtheria.

Hon. Mr. WEIR: But it does not guarantee it free from T.B.?

The WITNESS: It does not guarantee it free from T.B. There is no inspection made, for instance, to safeguard the public from prevalent diseases taken from milk and which could come from T.B. inspected herds.

By Mr. Tummon:

Q. The city then have inspectors who inspect the different farms and dairies?—A. Just the peddlers.

Q. They don't go back to the farm?—A. Not the milk producer as such; that is, the ones that ship to distributors; no, they have no inspection.

By Mr. Bouchard:

Q. So there is no comparison that could be established between the pasteurized milk and the other milk because every care has not been taken so as to deliver natural milk in its best state.—A. No.

The CHAIRMAN: Is there anything further, gentlemen?

By Mr. Boyes:

Q. Do I understand you correctly, Professor, that the producer-distributor could sell his milk at any price he sees fit?—A. That is my understanding.

Q. Now then, I suppose they might sell milk as low as 5 cents in the city of Winnipeg in competition with the other at 10 cents?—A. No.

Q. Well, he could do that if he sees fit.—A. He could do it, but as I understand it, there has been no price cutting producer-peddler.

Q. Are you able through your Utilities Commission to get a fairly good supply of milk to be sold under regular distribution at 10 cents, has the sale of milk fallen off?—A. There has been an increase in milk consumption in Winnipeg since we took over control and as far as our records show, no increase in the amount of the producer-distributor.

By Mr. Bowman:

Q. Well, there is a considerable surplus.—A. Yes.

By the Chairman:

Q. These handling prices that have been given by the Commission, they are maximum prices, I take it, not the minimum prices?—A. My point, as I understand the regulations, is this; that the prices are set up and may be applicable to the producer-distributor, but they have never been applied to the producer-distributor.

By Mr. Tummon:

Q. I think that is a very important item. It seems to me to be very important.—A. Well, we are open to conviction on any point like that; there is no doubt in my mind that if that became an important factor in the Winnipeg situation that it would have to be applied.

Q. I cannot understand how your Municipal and Public Utility Board can function with satisfaction unless it covers the whole field.—A. Well, it will cover the whole field, it can cover the whole field; but it is my understanding—I am open to correction there—that so far they have not applied this control to the producer-distributor.

By Mr. Bowman:

Q. Is it really not a fact that it is a sort of a threat which is held over the peddler-producer, and vendor, that if you don't live up to the standard price that has been suggested in making his sales, it will be applied?—A. In fact Mr. Cottingham met them and he discussed the question with them, and they said: we have no intention of cutting prices other than we have been selling at. It has always been a little less than the pasteurized price, there has always been a differential.

Q. What is the differential?—A. I think it is between one and two cents. They agreed that they would not cut prices. They have associations of their own and as I understand it, Mr. Cottingham said, all right, you live up to it and it will save us from running around to check up. It is a terrific job to check up on milk peddlers, as to what prices they are selling at, and as I understand it, they have lived up to it.

Q. As the situation exists at the present time, the Producers' Association of which Mr. Sargent is president, have a guaranteed price set by the Commission?—A. Yes, but you have got to remember this, that not all the producers are in Mr. Sargent's association.

Q. I am recollecting that, but I am talking about the 70 per cent who are in his association.—A. Yes.

Q. Do they get a guaranteed price of $1.54 per hundred, while the other association which we have referred to, the peddlers' association, has had no price set so far as the sale of their milk is concerned?—A. Not arbitrarily set, but by understanding; that is, they agreed that they would not cut the price less than—I think it was 8 cents—which was the general store price.

Q. In other words, the small fellow belonging to the peddlers' association, sells his whole milk, unpasteurized, at approximately 8 cents, while the men belonging to Mr. Sargent's association—or the so-called Winnipeg Milk Producers' Association—sells at 10 cents per quart, and is guaranteed this $1.54 per hundred?—A. Yes.

By Mr. Bouchard:

Q. This Public Utilities Commission, Professor Grant, has nothing whatever to do with the quality of the milk?—A. No.

Q. That is set by the civic board?—A. There are just the ordinary regulations of minimum 3.25, I think it is, but no bacteriological tests, or anything like that.

By Mr. Mullins:

Q. But there is a certain regulation with respect to the standard of milk in Winnipeg; there used to be a standard of 3. something per cent—you can't sell any kind of milk that is not up to that standard.—A. Oh yes, there is a minimum butter fat standard, but that is on quantity.

Q. 3.5 is it?—A. There is no sanitary standard.

Q. Is there any bacteriological standard?—A. No.

Q. None at all?—A. None.

Q. Free from all inspection and control?—A. Well, we have a provincial health regulation with respect to pasteurizing plants, but for some reason or other, the city is exempt from it.

By Mr. Hackett:

Q. Are we to understand that pasteurized milk which is supposed to be immunized has to come up to the standard, but milk which is not pasteurized is free from any bacteriological standard whatever?—A. Well, there is no bacteriological standard other than what is set under pasteurization. Pasteurizing reduces the bacteriological count, but there is no regulation that it should be so treated, there is no compulsory pasteurization.

By Mr. Bowman:

Q. At the moment the whole arrangement is fairly loose, it is really a compromise which has been arrived at by the producer and the consumer and the distributor, as a result of chaotic conditions in the city of Winnipeg.—A. Absolutely.

By Mr. Bouchard:

Q. Have you any opinion to offer this committee with respect to these conflicting opinions about pasteurization; is pasteurized milk better than the whole milk? Is it good milk?—A. No, I am an economist, not a medical man.

Mr. TUMMON: Before that question is answered, I would like to have Mr. Bouchard explain what he means by good milk.

Mr. BOUCHARD: It would take too long to convince the members of this committee, because they are so prejudiced on this matter of pasteurization.

The CHAIRMAN: I am afraid it would be a hopeless task.

By Mr. Mullins:

Q. Have you had any serious trouble arising because of these producer-distributors—the other 30 per cent—have you had any serious trouble?—A. You mean, outbreaks of disease?

Q. Yes.—A. I can't say, I think there are probably one or two cases.

The CHAIRMAN: Any further questions? If not, the thanks of the committee, I am sure, are due to Professor Grant for his very instructive discussion.

Mr. MULLINS: May I ask the witness where did this new idea in Winnipeg originate as to this?

The WITNESS: The public utility commission?

Mr. BOWMAN: The witness has explained there is a sort of compromise which was arrived at in the city of Winnipeg during the chaotic condition that existed there between the consumer and the producer, a couple of years ago—or at least a year ago.

The CHAIRMAN: We will meet to-morrow, then, gentlemen, at 11 o'clock. There are two gentlemen to be heard yet, Mr. Gooding and Mr. Love from the west, and I think that we will ask those gentlemen to be here to-morrow at eleven, or is it ten-thirty?

Mr. TUMMON: Ten-thirty.

Mr. BOUCHARD: Before the committee adjourns, I just wonder if it would be better or not to call one or two witnesses to give an unbiased view of this question of pasteurization, which to my mind is essential, is fundamental. The pasteurizer, the manufacturers of pasteurizers, the big combines you see that are distributing milk and with some other agencies have gone all through the newspapers, and they sing that pasteurized milk is the best milk we can drink. It is false. It is entirely wrong. Natural milk, well produced is. I know that the conditions to arrive at that are very hard to meet. I know that, but I think that this committee should have a litle unbiased view on this question of pasteurization.

The CHAIRMAN: Well, that is in the hands of the committee.

Mr. BOUCHARD: Well, I appeal to the committee then.

Discussion.

The CHAIRMAN: Are you ready for the question? The question is on Mr. Bouchard's motion that the sub-committee be authorized to consider the calling of witnesses on pasteurization. All in favour kindly stand. Contrary. I declare the motion lost.

We will meet to-morrow at eleven.

The committee adjourned at 5.25 p.m. until Thursday, April 20, at 11 a.m.

APPENDIX B

STATEMENT OF MR. F. O. SARGENT, PETERSFIELD, MANITOBA, PRESIDENT OF THE WINNIPEG DISTRICT MILK PRODUCERS CO-OPERATIVE ASSOCIATION LIMITED

CHAIRMAN AND GENTLEMAN:—On behalf of the Winnipeg District Milk Producers Co-operative Association Limited I herewith present to your Committee the following statement in respect to the present situation the milk business of Winnipeg is in. This statement is not going to repeat the story of the milk business during the past ten years, including the time of depression with the consequent milk war, but only deals with the present situation as it has developed since milk has been declared by the Manitoba Legislature to be a public utility, and to be regulated by the Municipal and Public Utilities Commission.

To inform your Committee about the past and how it came about that the milk business of Winnipeg has been put under the control of the Municipal and Public Utilities Board is shown by the speech of the Chairman of this Commission delivered to the Manitoba Dairy Convention in January, 1933, which I herewith deposit with your Committee as exhibit 1.

Cost of production.—According to recognized authorities (Pearson) it takes the following amounts of feed to produce 100 lbs. of milk:

	Lbs.
Grain	44
Hay	50
Silage	118
Roughage	39

at prices prevailing in Autumn, 1918, these amounts of feed cost:

Grain	$1 10
Hay	50
Silage	56
Roughage	07
Total	$2 23*

*For feed to produce 100 lbs. of milk. (Pearson).

at present prices for feed the above mentioned amounts would approximately be as follows:

Grain	50
Hay	25
Silage	40
Roughage	06
Total	$1 21

This amount of feed must be fed practically all the year round. In most parts of Manitoba there are not more than two to three months of good pasture available and even during that time the milk cow must have additional feed.

A Milk Cow requires a large amount of labor; the cow has to be fed and watered twice a day. The animals, the milk utensils, the barns and milk houses have to be cleaned daily. The feed, especially hay, must be hauled to the farm, the milk must be delivered to the station or to the road. The costs of labor to produce 100 pounds of milk are considered to be not lower than approximately 60 cents under ordinary conditions and the amount at present 40 cents for 100 pounds of milk.

There are miscellaneous operating expenses for milk, cooling and cleaning, for medicine, desinfectant, veterinary fees, testing dues, light and power, etc., which month by month, means considerable expense.

The hauling charges of approximately 25 cents per 100 pounds means another charge on the Producers.

The severe climate of Manitoba requires comfortable, warm barns. If milk shall be produced under sanitary conditions, the barn also needs concrete floors, drainage, special ventilation, and an ample supply of light. The cost of a barn lodging thirty (30) cows amounts to approximately $2,500. Interest, depreciation, insurance and repairs on such investments must therefore be added to the cost of production.

The herd charges are very high too. A good commercial cow under proper care producing approximately 6,000 to 8,000 lbs. per annum did cost $150 until 1930 inclusive, so that with a herd of 30 cows there is an investment of $3,000 on which interest, depreciation and insurance have to be paid. At the present time prices for such cows are considerably reduced. A good cow can be bought at approximately $60 to $70. Having bought their herds at high prices, most of the Milk Producers require to write off a large amount of their herd investment.

A problem which has been considered very little by the Dairy Farmer of Manitoba in the past is the loss through disease, Tuberculosis, Haemorrhagic-Septicaemia, and especially the contagious abortion disease, is the occasion of great losses in the dairy herds of this Province. The Farmer does not as yet realize the danger, but the Provincial Authorities are awake to the fact that the abortion disease (which is not controllable by serum) will, within a short time, amount to terrible capital losses.

The average cost of production during this Winter in Manitoba was "just on or around $1.50 to $1.60 per 100 pounds", freight included. These figures can only be applied to herds producing over 7,000 pounds per year, and Farmers who have cows below this average are losing money under the present regulations of the Municipal and Public Utilities Board, and it is a fact that a certain percentage of our Winnipeg Producers will be put out of business.

Re. milk as a Public Utility in Winnipeg.—I herewith deposti with your Committee the orders of the Municipal and Public Utilities Board and wish to remark that the prices are fixed all around, and that this was the only method for the Municipal and Public Utilities Board to settle the question. If prices were fixed to the Producer, some new Companies with very low investments, after the type of Chain stores, only selling to their own stores and taking no responsibility regarding the business as a whole, including the wagon business, could take the situation in hand, throughout and monopolize on figures they see fit. Milk being a public utility needs control all around, otherwise the regulation would break down under the pressure of the free marketing system.

The Municipal and Public Utilities Board in Winnipeg is not regulating its' Orders with the Police Force, but with the view to being reasonable with all concerned, and to arrange matters as you might say on a general agreement basis.

The Board is evidently taking the average Producer and average Distributor as a basis to work on, as far as prices are concerned, so that the basis of its' policy is economically and financially sound.

I herewith submit to your Committee the actual figures as supplied by the Municipal and Public Utilities Board for the month of October, 1933, up to and including March, 1934, as exhibit three.

The actual spread between the Producers and Consumers price in Winnipeg for the past ten years is shown as per attached table, which I deposit with you as exhibit four.

At present the following table is in practice with the assumption that the Producer is getting approximately four cents per quart:—

		Operating spread
	cts.	cts.
Retail milk..	10	6
Relief milk off wagon..	8	4
Milk sold to stores..	$7\frac{1}{2}$	$3\frac{1}{2}$
Bulk milk..	$6\frac{1}{4}$	$2\frac{1}{4}$

The actual operating spread of the different Distributing Companies is different on account of the fact that there are different quantities sold as, retail, wagon relief milk, store milk and bulk milk.

For three different Companies the spread to-day is as follows: 4·7, 4·8 and 4·4.

Some of the creameries claim that this spread is not sufficient for them to operate on. As a matter of fact, it is quite apparent that two of the Distributing Companies are not receiving a sufficient spread to pay their operating expenses, as well as their bond interest, while three other Companies which retail, and one Chain Store which pasteurizes milk for its' own stores seem to manage on the present spreads.

One of the Pasteurizing Companies is not paying the price of \$1.54 as ordered by the Municipal and Public Utilities Board, but is paying \$1.74 for all milk sold as retail milk, and this Company has done so all winter.

Questions not yet satisfactorily settled for the Producers.—The Distributing Plants require from 9 to 12 per cent of their supply of milk for standardizing purposes, namely, for cutting cream, making buttermilk and ice cream. Under the present orders of the Municipal and Public Utilities Board for this milk they only have to pay butterfat prices, which is approximately 70 cents at the rate of 3·5 per cent of butterfat. It is quite evident that at 70 cents there are only 3·5 per cent of butterfat available on the open market, while the Farmer actually ships 100 pounds of whole milk at 3·5 butterfat, therefore the Farmer is giving the Creameries the freight on 100 pounds of milk, which averages ·25 cent per 100 pounds and the skim milk is approximately ·10 cent per 100 pounds without getting any consideration for it. Besides that the Distributors are making a good profit on the sales of buttermilk, cream and ice cream. As a matter of fact it is quite evident that cream and ice cream are better paying propositions for the Distributing Companies than whole milk.

There is also no control of weights and a very inadequate control of butterfat tests. A proper method in this respect should be established by replacing the present scales of the Distributing Companies with automatic recording units, and by a Government test system whereby the testing of butterfat might be actually done by Government officials.

The handling of surplus milk is as yet not settled. It would be of great advantage to establish a milk shed by licensing all Producers and thus prohibiting any new shippers coming into the field of whole milk marketing until cause is shown.

The better plan would be if the Producers' Associations would establish themselves into a Selling Association whereby they would only sell the fluid milk requirements to the Distributing Companies and use the actual surplus milk for manufacturing purposes, the products to be marketed by the Producers' Association.

The question of new Pasteurizing plants to come into the whole milk market should also be considered very seriously. At present there are sufficient creameries in Winnipeg to handle the milk and we take the attitude that each new creamery is detrimental to both producers and consumers, as it increases the operating spread of the distributing companies. There are sufficient distributing companies in Winnipeg and therefore no new company should be allowed to enter into the field until cause is shown by an increased market.

It should be recognized that milk ordinarily produced for cream, namely, all seasonable milk, should not enter into competition with the whole milk supply. The whole milk producer has to guarantee the whole milk markets with a sufficient supply all the year around, which means considerably higher expenses to the whole milk producer in comparison with the cream shipper.

Therefore, a deferential should be recognized between the price for cream and whole milk, which should not only cover the difference in expenses shown as freight, value of skim milk, but recognition should be given to the fact that the whole milk producer must have an equal supply of milk all the year around, and take better care regarding his herd, cleanliness, hygiene, etc.

In the United States of America this deferential has been recognized by the last Convention of the milk dealers in Detroit last fall, where this deferential was established at the lowest level of ·45 cent per 100, and with the highest level at 90 cents per hundredweight.

The question of capitalization of the distributing companies should not be considered by regulating the prices to be paid, as there is a great difference between the old established companies working on inflated investments, while the new companies are working under present adjusted conditions. This does not mean that the old companies should be put out of business but that they have to adjust their capitalization and investments in accordance with the present prices, an adjustment which has taken place with the farmer and in many other lines of industries in Canada, and which adjustment in a general way has to come about all over.

File No. 19/32.
Order No. 635.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

Friday the second day of September, A.D. 1932.

Before: the Chairman,
Mr. D. L. Mellish, member,
Mr. G. H. Balls, member.

In the matter of the Milk Supply of Greater Winnipeg.

Subsequent to the Board's interim decision of July 23, 1932, the Winnipeg District Milk Producers' Co-operative Association, Limited, by its Solicitor, Mr. T. J. Murray, K.C., applied to the Board for an opportunity to submit further evidence. At one or more of the hearings ensuing the former interests were represented, and evidence was given to show the shortage of pasturage, due to grasshoppers and drouth, and the difficulties in getting fodder among the milk producers in the Winnipeg milk shed, and the resulting prospective shortage of milk supply.

In general, it appears that, because of the competitive conditions in Greater Winnipeg referred to in the interim decision, the customary autumnal price changes based on the cost of winter feeding of cows cannot be brought into effect, and that the increased price of butterfat (now 19 cents per pound) will cut off the supply of milk, unless fluid milk producers' prices are increased at once.

Following the taking of this evidence a general arrangement toward establishing winter prices of milk for both consumers and producers was arrived at among the leading distributing companies, based on conferences held among the following distributors, either among themselves or, as to some of them, with members of the Board:

Home Dairy Limited,
Crescent Creamery Company, Limited,
City Dairy Limited,
Modern Dairies Limited,
St. Boniface Creamery Company Limited,
Piggly Wiggly Canadian Limited,
Workers and Farmers Co-operative Association, Limited.

These prices are based on schedules filed by the leading distributors and are calculated to ensure an adequate supply of milk for the coming winter in the area under inquiry. They appear fair and reasonable, but to be made effective it is necessary under existing conditions for some outside body to give impetus and support to the arrangement, in the main to require that milk prices be fixed more nearly in line with the price of butterfat and standardized, a position materially different from that obtaining on July 23.

Accordingly, it is now found that the milk supply in the area known as Greater Winnipeg is likely to be interrupted or impaired in quality to an extent affecting the public health or convenience, unless the above arrangement is put on record, and that measures should therefore be adopted to ensure the continuity of adequate milk supply in the said area.

It is therefore ordered, all members of the Board concurring:

(1) That milk producers and distributors are hereby classified as:

Class A—Those who buy, pasteurize, process and/or have milk for resale as fluid milk.

Class B—Those who sell milk produced by themselves by direct delivery to consumers (producer-distributors).

Class C—Stores that sell milk or keep it for sale.

Class D—Milk producers or shippers.

(2) That the prices in the following schedules of rates at which milk shall be purchased and sold in Greater Winnipeg are hereby authorized, approved and directed to be effective:

A—Schedule of Prices to Milk Producers

To be paid to producers by milk distributors (Class A, above) and others who purchase milk in bulk direct from producers, for distribution as fluid milk—a minimum price equal to One Dollar and Fifty-five Cents ($1.55) per hundredweight (3.5 standard) f.o.b. plant, in quantities based on contract or quota arrangements between distributors and producers.

B—Schedule of Distributors' Prices

(a) Fluid Milk to Consumers—

To be charged to purchasers of fluid milk by the bottle:

Delivered at consumers' premises, whether by wagon or otherwise: per quart, ten cents; per pint, six cents; per half pint (to schools only), three cents.

Sold by stores for cash, to be carried away by the purchaser: per quart, eight cents; per pint (minimum—four and one-half cents; general—five cents).

Subject to contracts in favour of hospitals and governmental, municipal, charitable and/or relief institutions.

(b) Fluid milk to stores:

To be charged by distributors to stores and the operators thereof purchasing milk for resale: per quart bottle, seven and one-half cents; per pint bottle, four and one-half cents.

(c) Fluid milk in quantities: Bulk, per gallon, twenty-five cents. In bottles, per quart, seven and one-half cents; per pint, four and one-half cents; per half pint, two and one-half cents.

(3) The following is approved as the schedule of prices of cream, applicable in Greater Winnipeg:

(a) Delivered at consumers' premises, whether by wagon or otherwise, per one-half pint bottle: coffee or eighteen per cent cream, twelve cents, whipping or thirty-two per cent cream, twenty cents; (b) cream sold at stores, to be carried away by purchasers for cash, per half pint bottle: coffee or eighteen per cent cream, nine cents, whipping or thirty-two per cent cream, fifteen cents; (c) to stores for resale: per half pint bottle: coffee cream, eight and one-half cents, per half pint bottle whipping cream, fourteen cents; (d) in quantities or by wholesale: eighteen per cent cream, per quart bottle, thirty-five cents, per gallon (bulk), one dollar and ten cents; twenty-five per cent cream, per quart bottle, forty cents, per gallon (bulk), one dollar and thirty cents; thirty-two per cent cream, per quart bottle, fifty cents; per gallon (bulk), one dollar and sixty cents.

All cream prices subject to variations in price of butterfat as against butterfat price now obtaining.

(4) Milk and cream shall be kept for sale and sold in Greater Winnipeg, subject to the following conditions: (a) That every person, firm or corporation producing, handling, bottling, furnishing, delivering, keeping for sale or selling milk or cream, do so according to law and the provisions of municipal by-laws, and to such registrations, permits or licences as this Board may hereafter lawfully require; (b) That offers to sell or the sale of milk or cream shall not be made in combination with offers to sell or the sale of any other commodity.

(5) Every person, firm or corporation who purchases fluid milk from a producer or shipper, for resale as fluid milk in Great Winnipeg, shall, on or before the seventh day of each calendar month mail or deliver to the Secretary of this Board a return showing for the last preceding calendar month the following:

(a) The quantity in pounds of fluid milk so purchased by him, and delivered to him at his plant in Greater Winnipeg; (b) the amount paid for the same separated as to percentages of contract or quota quantities purchased, if so separated, and for surplus milk, if any; (c) the quantity of milk so purchased, which was sold by him as fluid milk, and (d) the quantity of milk so purchased disposed of by him as surplus milk or disposed of otherwise than as fluid milk.

Such returns are to be kept for the confidential use of the Board.

(6) This order shall not apply:

(*a*) to transactions between creameries and milk pasteurizing plants in Greater Winnipeg; (*b*) to sales of buttermilk, skimmed milk, or other milk products not specifically referred to herein, or (*c*) to milk in bottles bearing caps marked "certified" where such are issued by authority of the Board of Health.

(7) This order shall apply to all purchases of fluid milk for resale as fluid milk and to the sale of fluid milk in the area of Greater Winnipeg, which. for the purposes of this and subsequent orders, if any, comprises the Cities of Winnipeg and St. Boniface, the Town of Tuxedo, the Village of Brooklands and the Rural Municipalities of St. James, St. Vital, Fort Garry, West Kildonan and East Kildonan, excepting the non-urban portions of such rural municipalities.

(8) Pursuant to section 127 of The Municipal and Public Utility Board Act, no change in the prices hereby authorized shall be made except by approval of this Board, and any person desiring to vary any of the said prices shall, before doing so, file notice with the Secretary of the Board of his desire to do so, setting out the changes proposed and the reason for the same, which shall be supported at a hearing of the parties interested, after due notice.

(9) This order shall come into force at and from one o'clock in the morning of September 12, 1932, this date being specified because the financial condition of the producers does not in the opinion of the Board permit of the operation of the statutory period. The order is an interim or temporary one and, by statute, "shall cease to have effect on the twentieth day after the opening of the next session of the Legislature." Power is reserved to make such further or other orders in the matter herein dealt with or arising out of the same, and within the jurisdiction of the Board, as may be deemed advisable.

THE MUNCIPAL AND PUBLIC UTILITY BOARD,

W. R. Cottingham,
Chairman.

Morris Jacob,
Secretary.

Certified a true copy of Order No. 635 dated the Second day of September, A.D. 1932.

Morris Jacob,
Secretary.

Order No. 661. File No. 19/32.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

Friday the Twenty-eighth day of October, A.D. 1932.

Before: the Chairman.
Mr. D. L. Mellish, member,
Mr. Geo. H. Balls, member.

Re Milk Distribution in Greater Winnipeg

The Board, of it own motion, and following several conferences with representatives of the milk distributors and producers, and as supplementary to Order 635, Hereby Orders:

(1) The clause in Order 635, following the heading "A-Schedule of Prices to Milk Producers" refers to contract or quota arrangements between distributors and producers, established between the parties prior to the monthly receipts of milk by the distributors, and not those determined by settlements made by distributors after the month's receipts are in. Accordingly, the settlements made with their shippers by some of the distributors, on the basis of the distributors' volume of sales for the period of September 12 to September 30, 1932, are held to be unfair to the regular shippers of these distributors, and the October settlements by these distributors should include adjustment to the shippers in question for this period of September, based on their September quotas, and it is so ordered.

(2) Settlements for the month of October shall not be made by any distributor until his quota basis has been approved by the Board's Inspector, Mr. J. D. Cameron.

(3) For the purpose of prescribing how quotas should be hereafter determined, to the end that a steady flow of milk may be maintained, the following rules are provided: (*a*) All changes in quotas shall be made and notified to the producers by mail before the first day of the month to which they are intended to be applied, except where the distributor requires an immediate increase in his shipments; (*b*) The total quantity of milk intended by a distributor to be received by him in quota shipments during any month, shall not be less than the average monthly sales of fluid milk of that distributor during the period on which the quotas are based; (*c*) Each distributor forthwith after making any change in his producers' quotas, shall advise the Secretary of the Board thereof by mail; (*d*) Before regular or established fluid milk producers' quotas are reduced, distributors shall check their lists of shippers for the purpose of deleting temporary shippers, shippers of dirty or unsanitary milk, and shippers of milk ordinarily used for manufacture; (*e*) Where a distributor's gross sales of fluid milk in any month exceed the gross quota quantities received by him in that month, the excess shall be paid for in the settlements for that month, on the fluid milk price basis, and not on butter-fat price basis; (*f*) So long as the price schedule to producers remains as provided in Order 635, variations from the standard butter-fat content shall be settled for at the rate of at least three cents a point above or below 3·5 standard.

(4) Copies of the foregoing rules shall be printed by the Secretary of the Board, and one copy thereof mailed to each of his shippers by each distributor, with settlements for the month of October, 1932.

(5) This order is effective forthwith.

THE MUNICIPAL AND PUBLIC UTILITY BOARD,
W. R. Cottingham,
Chairman.

(Seal)

Morris Jacob,
Secretary.

Certified a true copy of Order No. 661, dated October 28, 1932.

Morris Jacob,
Secretary.

Order No. 683. File No. 19/32.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

TUESDAY the Twenty-ninth day of November, A.D. 1932.

BEFORE: the Chairman,
Mr. Geo. H. Balls, member.

The Board's order No. 648 provided for the payment, to defray the expenses of the Board, by producers of milk for re-sale in Greater Winnipeg, at the rate of one cent per hundred pounds monthly for the months of September and October, 1932, and at the rate of a half cent for subsequent months. It has come to the notice of the Board through the Press, that the Privy Council affirming a decision of the Appeal Court of British Columbia has held that a levy of this kind upon the producers, effected through the distributinng companies, is an indirect tax and beyond the power of the Legislature. A doubt may arise whether this decision applies to the Board's orders in view of the public utility principle applicable to the milk industry in Manitoba, but to be on the safe side it is deemed expedient to reduce, by one cent per hundred poudns, the price fixed by Order 635, as payable to the producers, and to add a similar amount to that apportioned amongst and payable by the distributors. The one cent rate is continued because the amounts received so far have not been sufficient to retire the Board's obligations to its departmental appropriations and its monthly expenditures at their present rate.

Accordingly Order No. 635 is amended by substituting the words and figures "One Dollar and Fifty-four cents ($1.54)" for the words and figures "One Dollar and Fifty-five cents ($1.55)" in the fourth line of the Schedue of Prices to Milk Producers in the third page of said order.

And Order No. 648 is amended by striking out clauses 1 and 2 thereof, and by substituting therefor the following as clause 1, the present clauses 3 and 4 becoming 2 and 3.

1. That the costs and expenses of the Board are apportioned amongst, and shall be paid by the Milk Distributors on record herein on the basis of two cents for each hundred pounds of milk sold as fluid milk by each of them in the area of Greater Winnipeg, as defined by Order No. 635, during each calendar month, such amounts to be remitted to the Secretary of the Board with the monthly returns required by Order 635. Until further ordered such apportionment shall be made, applied and payable for the month of November, 1932, and succeeding months.

This order is effective forthwith.

THE MUNICIPAL AND PUBLIC UTILITY BOARD,
W. R. COTTINGHAM,
Chairman.

(Seal)

MORRIS JACOB,
Secretary.

Certified a true copy of Order No. 683, dated November 29, 1932.

MORRIS JACOB,
Secretary.

WINTER MILK PRICES IN WINNIPEG DURING THE PERIOD OF 1921 TO 1932 INCLUSIVE

Year	Paid to producers per 100 pounds f.o.b. city	Paid to producers per quart, f.o.b. city	Charged to consumers per quart. Retail sales	Distributors spread per quart. Retail sales
	$ cts.	cts.	cts.	cts.
1921	2 45	6·1	13	6·9
1922	2 45	6·1	13	6·9
1923	2 40	6·0	13	7·0
1924	2 55	6·37	13	6·63
1925	2 17	5·42	13	7·58
1926	2 32	5·8	13	7·20
1927	2 47	6·15	13	6·92
1928	2 47	6·15	13	6·92
1929	2 45	6·15	13	6·9
1930	2 16	5·41	12	6·6
1931	1 66	4·15	10	5·85
1932—Jan. 1 to June 15	1 40	3·5	10	6·5
1932—June 16 to Sept. 12	1 00	2·5	8	5·5
1932—since Sept. 12 (order) Public Utility Commission	1 55	3·87	10	6·13

CONFIDENTIAL INFORMATION FOR SECRETARY, MILK PRODUCERS' ASSOCIATION

Month	Total purchased	Full price basis	Butterfat basis	Percentage butterfat basis	Gross value purchases	Fluid sales	Manufactured	Overpaid	Over all price	Sales against last month	Purchases against last month
					$ cts.						
October	5,881,667	5,185,129	696,538	11·8	89,987 28	4,833,883	1,047,784	6·6	1,530	....	....
November	5,338,470	4,948,322	390,148	7·3	82,719 17	4,720,255	618,215	4·8	1·549	+0·9	−6·6
December	5,663,904	5,109,616	554,288	9·8	85,630 85	4,845,715	818,189	5·4	1·511	−0·7	+2·6
January	5,790,076	5,150,620	639,456	11·0	86,835 98	4,865,148	924,928	5·86	1·500	+0·4	+2·23
February	5,390,614	4,721,020	669,594	12·4	79,503 09	4,526,401	864,213	4·30	1·475	+3·0	+3·0

I HEREBY CERTIFY that the above is a true statement compiled from the records of this Board in connection with its administration of the pasteurizing plants in the Greater Winnipeg area. The producer-distributor, otherwise known as the pedlar, which constituted approximately one-third of the milk consumption, in this area, is not included in this statement.

MORRIS JACOB,
Secretary.

Filed by Dr. Grant

THE MUNICIPAL AND PUBLIC UTILITY BOARD

Monthly Return by Milk Distributor, as required by Order 635.

By ....
(Name of Company)

For the month of April, 1933.

Milk purchased:

A. Gross fluid milk purchased.................................... pounds.

B. Gross amount paid for A—.................................... $......

C. *Division of A*—

1. Quantity on $1.54 basis.................................... pounds.
2. Quantity on butterfat—price basis.................................... pounds.
3. Quantity on other bases:
.... pounds.
.... pounds.

Total of "C".................................... pounds.

Milk disposed of:

A. As fluid milk.................................... pounds.
B. In other forms:
.... pounds.
.... pounds.

Total of milk disposed of.................................... pounds.

Cheque attached herewith for:

2c. per 100 pounds on milk disposed of as Fluid Milk "A" above. $......

I hereby certify that the foregoing is true in substance and in fact.

(Name)

(Office in Company)

Date:

N.B.—This form should be completed and returned to the Board on or before the 11th day of the month succeeding that being reported.

MORRIS JACOB,
Secretary, Municipal and Public Utility Board,
214 Law Courts,
Winnipeg, Man.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 20, 1933

No. 19

Reference,—Milk and Milk Products

WITNESSES:

R. U. Hurford, President B. C. Dairymen's Association.

C. T. Gooding, President and General Manager, Saskatoon Dairy Pool.

J. L. Love, M.L.A., Member of Alberta Dairy Pool.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, April 20, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bouchard, Bowen, Boyes, Butcher Carmichael, Coote, Donnelly, Gobeil, Jones, Loucks, Lucas, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Porteous, Seguin, Senn, Shaver, Simpson, Swanson, Taylor, Tummon, Weese, Weir (*Macdonald*), Wilson.

The Clerk was called upon to read a Brief submitted by the Alberta Fluid Milk Producers' Association. (See the Brief extended in the evidence hereto.)

R. U. Hurford, president of British Columbia Dairymen's Association addressed the meeting as to the milk situation on Vancouver Island.

C. T. Gooding, president and general manager of the Saskatoon Dairy Pool was called, sworn and examined.

Witness retired.

The committee adjourned at 1 p.m. to re-convene at 3.30 p.m.

The committee re-convened at 3.30 p.m., Mr. Senn in the Chair.

J. L. Love, M.L.A., a member of the Alberta Dairy Pool (Northern), was called, sworn and addressed the committee and was examined at length.

Witness retired.

The sub-committee on witnesses, by its Chairman Mr. Tummon, reported recommendations as to next week's meetings and witnesses as follows:—

Monday, April 24, 3.30 p.m., Officers of the Ottawa Valley Milk Producers' Association.

Tuesday, April 25, 10.30 a.m., Geo. Hogg, president of Guaranteed Pure Milk Co. Ltd., Montreal.

Wednesday, April 26, 3.30 p.m., Officer of City Dairy Limited, Toronto.

Thursday, April 27, 10.30 a.m., Officer of Silverwoods Limited, Hamilton.

The sub-committee recommendations were concurred in.

The meeting adjourned till Monday, April 24, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 268,

April 20, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., Mr. Senn presiding.

The Chairman: Gentlemen, if you will come to order: the witnesses called for this meeting are not here but I am in receipt of a brief from the Alberta Fluid Milk Producers' Organization which I think should be read into the record. I will ask the clerk to read it while we are waiting, I think it is rather important.

(Document read by clerk.)

To the Chairman of the Commission appointed by the Federal Government to investigate conditions of the Milk Industry in Canada:

At a meeting held in Calgary, Alberta, April 15, 1933, at which meeting were represented all organized groups of fluid milk producers in the province of Alberta, including representatives of the Calgary Co-operative Milk Pool, Calgary United Dairy Producers' Association, Edmonton Milk and Cream Producers' organization and the Edmonton Producer-Retailer Association, by resolution it was unanimously agreed to place before your Commission by way of this brief the position taken by the Alberta fluid milk producers, and in this way try and assist you in your efforts to solve the problem of the dairy industry in Canada.

We would like to point out that the representatives chosen from Western Canada to give evidence before the Federal Commission appointed to look into the question of the milk industry and its problems represent primarily the dairy industry as a whole, and in particular the manufacturing end of the industry; and although they will have considerable knowledge in regard to the problem that faces the fluid milk producer, yet of necessity their interest will be with the part of the industry that affects them most.

Therefore we wish to confine our suggestions and information to the interests of fluid milk producers. We wish to treat the subject under the following headings:—

1. *Fluid milk production a class by itself:*
   - (*a*) A steady daily supply is demanded for the protection of the consumer. This entails special control of herds in order to meet the demand.
   - (*b*) Fluid milk supply is subject to rigid inspection as to quality, herds, buildings, etc.
   - (*c*) Labour must be paid for at a higher rate than that of the ordinary farm labourer.
   - (*d*) A continuous 365-day supply and service.
   - (*e*) Special delivery must be made, which entails extra expense.

We point out the above few facts simply to try and prove that the fluid milk industry should be considered as a business that must of necessity stand apart from other dairy interests; and the fact that cream and cheese prices are sometimes used in order to lower the price of milk should not be tolerated.

2. *Profit and distribution:*

(*a*) Effort should be made to place the production of fluid milk on a cost-plus basis, and should be based on average cost of production in the same way as the distributor bases his spread on a cost-plus basis.

(*b*) Distributors' spread should be allowed on the replacement value of their assets and present overhead, and not on a basis of inflated value of said assets.

(*c*) We believe that the distributors and producers are both entitled to a fair profit on their investment and costs, and that the consumer must pay a price for his milk that will allow a fair profit for production and distribution. He must pay for quality and service.

(*d*) We suggest further that the question of duplication in the service of distribution must be considered from the standpoint that the producer pays; for instance, seven rigs on one street where one rig will do the work simply means in the final analysis that the consumer and producer are paying the extra overhead for six unnecessary wagons, and all that that entails.

3. *Surplus:*

(*a*) We would like to point out to the Commission that surplus in the different milk sheds throughout Canada is caused not so much by reason of any attempt on the part of the producer to over-produce or a desire to do so, but the necessity of having to produce two pounds of milk instead of one in order to secure the required income necessary for him to live. This condition, if allowed to continue, will eventually kill itself, and then the consumer starts to pay.

(*b*) If the producer is given a cost-plus basis for the amount that is definitely consumed as fluid milk, then the surplus will readily take care of itself under proper control.

(*c*) Surplus milk is one of the penalties the producer pays in order to guarantee a sufficient supply to the consumer 365 days in the year.

(*d*) The producer of fluid milk in every milk shed, we feel satisfied, would be willing to take care of his own surplus, providing he can secure a reasonable price for milk sold for consumers' use.

Therefore we claim that the problem of the fluid milk surplus, at least for Alberta, can be solved by the governing bodies of producers' organization along with the co-operation of the distributor, in each particular milk shed.

4. *Chain stores and price-cutting:*

(*a*) Alberta producers are of the opinion that milk sales should be confined to sales off wagons, so long as that method of distribution predominates; the reason being, if wagons could handle all milk sales it would cut cost of distribution, as more units could be sold per wagon, and both producer and consumer should benefit.

(*b*) Stores should not be allowed to sell milk below cost in order to secure trade and the sale of other commodities.

(*c*) This field of argument should also take into consideration price cutting other than that done by chain stores; in particular, the dairyman who, for some reason, feels that he can go into the field of distribution and sell his milk direct at a cut rate price; the only effect of which is that by so doing he affects the whole milk industry, and instead of stabilizing it and assisting in maintaining a reasonable price, ruins the whole structure, eventually bringing it down to his own level, which means chaos. He should be controlled.

5. *Control of the milk industry from the standpoint of the Utilities Board:*

We place ourselves on record as being in favour of some system of definite control, such as through the Utilities Board; and we feel that the producer, consumer and distributor are entitled to the same basis of consideration as other public utilities, such as light, water, heat, etc., as milk is just as much a public necessity as any of the above. We suggest through control in the above manner that the following would result:—

(*a*) Price cutting stopped.

(*b*) Spread between producer to consumer be controlled.

(*c*) Industry stabilized.

(*d*) Price arranged on an equality basis.

We submit the above suggestions in a spirit of co-operation, and would be pleased if the Federal Commission now sitting see fit to call on our Alberta United Producers' group to send a representative to appear before them, in order that they might have available before making a decision which will cover all Canada, the position and attitude of the producers of fluid milk in Alberta.

R. H. M. BAILEY,
President of the Edmonton Milk & Cream Producers' Association, Ltd.

J. B. RITCHIE,
Sec.-Treas. of Edmonton Milk & Cream Producers' Association, Ltd., R.R. 2, S. Edmonton.

JOHN BEYNON,
President of United Calgary Milk Producers' Association.

C. PICTON,
Sec.-Treas. of United Calgary Milk Producers' Association, General Delivery, Calgary.

KEYS CULLEN,
President, Co-Operative Pool Producers, Calgary.

The CHAIRMAN: Gentlemen, if you will come to order, the witnesses for this meeting are not here and I am informed that we have Mr. Hurford, president of the British Columbia Dairymens' Association, who can perhaps give us some essential information as to the milk situation on Vancouver Island. I think that we should limit his time say, to 15 or 20 minutes, so that we can hear the other witnesses if necessary. What is your wish gentlemen.

Carried.

R. U. Hurford, called.

The Chairman: We will ask you to proceed, Mr. Hurford.

The Witness: I have been managing a creamery on Vancouver Island for the past 25 years and have the honour for some years of being president of the British Columbia Dairymens' Association; I have also been connected with your National Dairy Council for eleven years.

I have been requested to give you gentlemen an outline of the milk situation in Victoria, and the dairy situation on Vancouver Island. I am not much of a speaker but I will try to give you that picture as briefly as possible, and I hope to leave the situation clear in your mind. I might say that in referring to Victoria, I refer to Greater Victoria, which would take in the surrounding Oak Bay and Esquimalt, which is practically joined to Victoria, a population of approximately 70,000.

In the province of British Columbia we have what is known as the Milk Act. I am referring to the "Act respecting the production and sale of milk for human consumption." Any city may apply or elect to come under that Act with regard to the regulations therein, and with regard to pasteurization.. Pasteurization is not compulsory in British Columbia but a city may elect to come in under that Act and regulations pursuant thereto. I will leave a copy of the Act with you, and the amendments; also a copy of the regulations pursuant to the Milk Act. I might state that the regulations set forth the grading, the terms and methods of grading. According to the regulations of the Milk Act, a producer that does not secure 80 per cent or over of the requirements set out by the score card, of which I will leave you a copy, which covers the premises, the health of the cattle and the methods of handling—these are all scored on a score card such as this, which I will leave with you; and any vendor or any producer who does not get a score of 80 or over cannot supply milk to a city which elects to come under the regulations which I have named without pasteurization.

The city of Victoria has put into effect or will put into effect conditions giving the consumer the regulations which will require that milk produced must come from premises or herds which will score 80 per cent of the regulations as set out; and failing that, must be pasteurized. In order to paint the picture for you thoroughly, as far as Victoria is concerned, there are four plants, four wholesale distributors, which have pasteurizing plants in the city of Victoria; and you have approximately, supplying the city of Victoria, 253 milk shippers; that is to say not shipping to the plants, but milk distributors in the form of the four wholesale plants and 249 retail distributors, producer distributors.

By Mr. Tummon:

Q. You mean stores?—A. No, I mean farmers or producers who are retailing or peddling, whichever word you care to use, their milk in the city of greater Victoria.

By Mr. Meyers:

Q. Their own milk?—A. Their own methods; approximately 249, and you have four plants which have pasteurizing equipment to handle the pasteurized milk. Of those 249 there are approximately 100 shippers or producers of milk peddling or selling their own milk retail who, I would term are highly efficient; that is to say, their methods are good as evidenced by the fact that their average bacteriological count, taken over an extended period, will average below 10,000, which any of you gentlemen familiar with the milk situation will admit is a fairly good standard of retail milk.

Q. These private shippers do not have their milk pasteurized?—A. No, these private shippers do not have their milk pasteurized, but there are—and I repeat that—around 100 private shippers that have reached and do uniformly maintain quite a fairly high standard, as evidenced by the fact that the average bacterial count of approximately 100 shippers would be within 10,000 per cubic centimeter.

Q. Does their milk sell at the same price as pasteurized milk?—A. These 100 shippers, they are not price cutters. The well maintained, regulated dairymen in Victoria are not enthusiastic, speaking in the main, of course—they are not cutting the price of milk to any great extent. That is to say, they average around eight quarts per dollar, for high milk.

Mr. Tummon: A little better than 12 cents.

The Witness: As far as shippers to wholesale distributors are concerned, in the past they have had contracts, have been regulated with regard to supply and demand, that is to say, the amount of milk which will be paid for upon a milk market or fluid milk basis, and the surplus which will be paid for upon a butterfat basis. At the present time those contracts are not in effect; that is to say, that neither the producer nor the wholesaler has been able to submit a contract to the parties he is dealing with, which is satisfactory. At the present time there are no contracts, and there is no recognized system, in as much as the wholesaler is dealing with the producer on no organized basis. They make their own terms.

To give you an idea of prices, gentlemen, the prices that are prevailing, the average price would work out between 35 and 40 cents per pound butterfat for the fluid milk. In a few instances I came across a price of as high as 45 cents per pound butterfat, on the fluid milk basis. But there is, as I tried to explain to you, no regular method of setting the amount which will be paid for on the fluid milk basis, and the amount which will be paid for on a butterfat basis, in effect at the present time. The average would work out they are paying for the surplus on the basis of from 20 to 25 cents; and from the information I have it would seem that the average price that the producer received would be between 28 and 32 cents per pound butterfat.

By Mr. Pickel:

Q. That would signify that about half of the production is classed as surplus?—A. Approximately that; but I want you to get this quite clearly, that there is no regular method. The distributor may have some terms with this party as a shipper, and another term with another party, and it is entirely in the distributor's hands as to the amount of surplus or proportion of surplus which may be paid for as such.

By Mr. Porteous:

Q. Do they pay different prices?—A. Yes.

Q. Different prices to different parties?—A. Well, I don't think so. The distributor is paying a uniform price. Of course, there is the matter of shipment or freight sometimes, or bringing in, but a distributor is paying a uniform price to his shippers in the main, but he may not be taking a uniform ratio. I have no thorough figures on that.

Q. That will depend on the constancy of supply, I suppose?—A. On the constancy of supply. I want you to get this quite clear, that there has, in the past, been agreements which have been in effect, and some have been too high a price. One firm made an agreement over a period at a price of butterfat which was more than was justified by the way conditions afterwards turned out, and that agreement, of course, had to be cancelled, and a new agreement was brought

forward; and there have been agreements or tentative agreements submitted by the producers and by the distributors, but at the present time no agreement has been accepted, or has been produced which is agreeable to both; perhaps that is the better way to put it.

By Mr. Pickel:

Q. Could you give us an idea of the spread to-day?—A. Milk is retailing in Victoria for from 10 to 14 quarts per dollar.

Q. Ten to fourteen quarts a dollar; I thought it was eight?—A. Yes.

By the Chairman:

Q. Off wagons.—A. I am maintaining to you, and I want to get it clear, that these approximately 100 which I would call highly efficient dairymen, producing a high standard of milk with a regular line of customers, and giving this milk with a count averaging below 10,000, are getting 8 quarts per dollar, with not a great deal of price cutting going on amongst that class of dairymen. On the other hand, it is possible to buy milk in Victoria from 10 to 14 quarts per dollars, and a lot of it.

By Mr. Pickel:

Q. That is in bootlegging?—A. The remaining one hundred and some odd.

Q. These four distributing plants, what is their spread?—A. They are selling milk at nine and ten quarts per dollar. There are two kinds of milk, of course. There is jersey milk and the regular milk they are selling at nine quarts per dollar and ten quarts per dollar. One party is selling at twelve.

Q. Can you give us an idea of how much spread they make per quart?—A. I could not.

The CHAIRMAN: Mr. Hurford, you have been going for fifteen minutes. I see that the witnesses that were called are here, and if you can conclude your remarks within a few minutes, I think I will ask you to do so, unless the committee wishes otherwise.

The WITNESS: Yes, I will. With regard to the balance of Vancouver, there are four creameries, three actually upon the island, and one upon an adjacent island, Salt Spring Island. They are all co-operative. Some of them have been in existence since the Cowichan Creamery in 1895, the Comox Creamery in 1901 and the Nanaimo Creamery shortly after that date, each operated in quite an efficient manner. Their financial basis is quite sound. They each have a reserve which they have built up in that period, and they are looked upon as being successful ventures in co-operation, quite successful in that they have stood for a lengthy period of time, and are steadily and surely strengthening their position.

By Mr. Pickel:

Q. Successful as producers?—A. Of course they are producers' organizations and owned and controlled entirely by the producers in each case.

Q. They are producers themselves?—A. They are producers. That, I think, would give you reasonably well the picture of the situation on Vancouver Island. The Victoria situation at the present time is somewhat chaotic, on account of the fact that there are an extraordinarily large number of actual milk vendors, with four wholesale distributors, and a whole lot of producer vendors, some of which are very high class and well established. If there are any questiones you wish to ask, I will be glad to answer them.

The CHAIRMAN: Is the committee satisfied?

Mr. TUMMON: Thank you.

The CHAIRMAN: Thank you, Mr. Hurford.

The WITNESS: Thank you, sir. I have been as brief as I possibly could.

The CHAIRMAN: We will call Mr. Gooding, president of the Saskatoon Dairy Pool.

C. T. GOODING, called and sworn.

By the Chairman:

Q. Mr. Gooding, will you give your position to the committee, please?—A. Yes. Mr. Chairman and gentlemen, I am president and general manager of the Saskatoon Dairy Pool.

Q. You have a statement?—A. Yes, I have.

Q. Very well; we will be glad to hear it, Mr. Gooding.—A. You mean a written statement?

Q. Yes, a statement to make to the committee before the committee proceed to put questions?—A. Yes.

Q. It is customary always to hear any statement that a witness is prepared to make.—A. Mr. Chairman and gentlemen, I have not an actual written statement, but I would like very much to just give you a brief outline of our concern, just before we go into facts and figures, so that you may be familiar with the work that we are doing. As I said, I am connected with the Saskatoon Dairy Pool, which is entirely a producers' concern, owned and controlled by them, very much similar to the Fraser Valley Milk Producers of which you heard the day before yesterday. We were organized for the very same reason, in the winter of 1926-27, because the members at that time were very dissatisfied with existing conditions in the milk business. They thought—either rightly or wrongly—that the private distributors were not giving them perhaps what we might call a fair shake in the amount of the consumer's dollar, in the proportion of the money that was received from the consumer's dollar. Having that in mind, many years ago, the producers organized bargaining associations and one thing and another of that nature, some of them very successful, and of course some of them were not. In the winter of 1926-27 the members of the pool got together and decided that they would go into the business for themselves. With that in mind, they realized that they would have to build up a capital structure whereby they would be able to market or rather have more control of the market of their own product. We did so under the contract basis, similar to other organizations of our nature in Western Canada, and on the 1st of April, 1927, we got under way. Our idea was not to enter the distribution field, but rather to wholesale to the distributors their full requirements of milk and table cream. We did so, realizing that the surplus question was the one great problem that was worrying us at that time, and we realize is still worrying every city in Canada. We realized that the secret of success in the milk industry was not to create extra competition by going into the distributing field ourselves, but rather to keep the surplus milk away from the whole milk market. We realized that by the individual selling as had been the practice in the years gone by, that every farmer was his own worst enemy, in that he was a competitor—one a competitor of the other. Having that in mind, we said to ourselves that the consumers of the city of Saskatoon, who are our best and only customers in the fluid milk market, could only purchase so much milk. We are prepared to sell them that amount of milk, not at a fixed price, but just at the market value, which of course is regulated from time to time, and that is all that can be sold there, irrespective of how much we would like to sell. The fact is that the city of Saskatoon can only absorb so much fluid milk, and the key of our concern is that we keep the surplus milk, that portion which cannot be sold in Saskatoon,

away from the fluid milk market. We have absolute control of that end of the situation, with the result that taking during the last year for instance, when there has been so much trouble in the fluid milk industry, I venture to suggest that perhaps Saskatoon is the only city in Canada that has not had what is so commonly called a milk war. We have had no milk war of any description, and the price of milk has not dropped below ten cents. Of course, ten cents is, I understand, the prevailing price of milk throughout Canada; but during the last year we have had all kinds of instances of milk going down to anywhere around five cents, before some remedy was found of bringing it back up to somewhere around ten cents again. So we think that it is an account of our stabilizing influence and in keeping the surplus milk away from the market we find the solution to that particular problem. So that is the reason, Mr. Chairman and gentlemen, why we organized; and just our natural set up in order to take care of the surplus milk, it was obvious that we had to manufacture it into commodities that were suitable to the district in which we lived. One, of course, is skim milk powder, a very suitable commodity for Western Canada; another, of course, is cheese; and another, of course, is butter, of these three commodities we are fairly large manufacturers. I don't know that it would interest you to-day—

By Mr. Bouchard:

Q. Any ice cream?—A. No, we don't manufacture ice cream ourselves, but we sell wholesale to the ice cream manufacturers all their requirements.

By Mr. Pickel:

Q. What about the proportion of farmers that you have who are loyal to this organization, that is, would be members of it?—A. The amount of farmers that are shipping milk to the Saskatchewan Pool are roughly 250.

By Mr. Bouchard:

Q. What is the financial structure of your organization?—A. Our financial structure?

The CHAIRMAN: I would suggest you let Mr. Gooding finish his statement, keeping your question in mind.

By Mr. Pickel:

Q. Are many farmers shipping into Saskatoon who don't belong to the pool?—A. Roughly 18 to 20 are shipping into Saskatoon who are not members of the pool.

Q. Are they distributing their own milk?—A. No, they are selling to one particular distributor, and the reason for that I will just tell you right now. We had 100 per cent control. We were the only section in Canada that had operated a 100 per cent pool. It was not compulsory, it was absolutely voluntary. We were fortunate enough in getting shippers to sign up and to have 100 per cent control over the whole of that sale in Saskatoon. Then they got after us for two reasons: one, because one shipper could not see eye to eye with us and thought he should be paid for the fluid market; another reason was that we were getting all kinds of trouble with the Combines Act. It is very very unfortunate, of course, that the consumer—and I might say perhaps some of the officials of the city itself—were very suspicious, and they asked for investigations and inquiries and all that sort of thing, as to whether or not whole milk could be sold cheaper if it were not for a certain monopoly or combine, or things of that nature, which we decided was not in the best interests of either the producer or ourselves.

Mr. Chairman, we understand thoroughly there is no use to shout from the housetops just what we might like to do, or what is the best thing to do. We must at all times realize that the consumer after all is our customer, and we must abide by their decision. And so one of the distributors in Saskatoon to-day have about 20 shippers of their own. There was a time when we had 100 per cent control; every shipper, every farmer in the district wanted to be a member of the Saskatoon dairy pool. We could not refuse them. We have had all kinds of experience in that regard, and we could not refuse them on account of the Combines Act. From time to time we said, we are sorry we have far too much milk for the city of Saskatoon and would like you to wait a little while until prices are better before you go further because that would disturb prices. We had of course to consider our pool farmers, and that is one of the reasons why it is necessary for us at this time not to have 100 per cent control. It simply is just too had for the organization, it will not develop perhaps on practical lines anyhow.

I think perhaps it would just be well to examine a few figures as to the amount of money that the producer is receiving for his product. We hear, of course, Mr. Chairman and gentlemen, much about the consumer paying 10 cents and the producer getting only two. That is the same in Saskatoon as everywhere else, and naturally the consumer and others ask that question, and the producers themselves; and it is rather unfortunate that so many people take that attitude, particularly if they are going to take an active interest in the milk industry. We have educated our members in Saskatoon to realize that 2 cents a quart and 10 cents, or 2½ cents and 11 cents—and all that sort of thing—is only so much talk, unless it is understood. I was here the day before yesterday when Mr. Mercer gave his evidence, and it is quite clear that I shall not have to tell you about the whole milk, fluid values and surplus values. I intended to do that, but I realize it is just a duplication of what Mr. Mercer said. It will interest you to know that only 41 per cent of the milk that we handle is sold in the city of Saskatoon on the fluid market.

The CHAIRMAN: When you say fluid market, does that include cream?

The WITNESS: No, sir, whole milk. 41 per cent of our milk is sold on the fluid market at 46 cents a pound butterfat; I understand that that is exactly the same as Fraser Valley—46 cents a pound butterfat; 48 cents for the six winter months, and 44 cents for the six summer months, on an average of 46 cents over the year. The table cream is sold at 30 cents—no, it was sold at 40; and I may say that it is partly our own fault, that reducing the price 10 cents per pound butterfat. We realize now that it was wrong, and I think quite possibly we will find that that price will go back to 40 cents per pound butterfat. We felt that during the depression, particularly since times got so very bad; we found that table cream sales were dropping so badly that we decided to drop our price to the distributor so that in turn he perhaps might be able to sell more cream for us than he was able to do at 40 cents. It has not worked out that way and our sales are no better now than they were when the price was 40 cents; and so perhaps we were wrongly advised, or rather our decision was not quite correct when we decided to drop the price from 40 cents to 30 cents so that it would increase our sales. We were receiving 40 cents a pound butterfat for our cream, and the decision was entirely voluntary on our part that we would drop to 30 cents; we used our own judgment in deciding to do that when we dropped from 40 cents to 30 cents.

By Mr. Pickel:

Q. What do you class as table cream, 10 per cent?—A. Oh no.

By the Chairman:

Q. He means all kinds of table cream?—A. Our test is around 22 per cent, that is the approximate value.

By Mr. Pickel:

Q. Well, you distribute different grades of cream do you; or do you sell as a wholesaler to the distributor, and the distributor may then put it out at 10 per cent, 20 per cent or 30 per cent?—A. That is correct, the wholesalers have various kinds of cream that they sell, but our test is somewhere from 22, to 25 or 26 per cent; it has no fixed butterfat test. And so our price to-day, is 46 cents a pound butterfat for milk and 30 cents a pound butterfat for table cream —41·9 per cent of our total supply was sold on the fluid market, 16·4 per cent on the table cream market. We have full control of the balance and we feel that we have been very successful, and while not perhaps getting a very great price for the surplus, but in realizing that that is the secret of the whole story—to get the surplus milk control in one concern rather than having it in the hands of hundreds of individual shippers. We decided that we would go into the manufacture of skim milk powder, cheese and butter.

By the Chairman:

Q. Just there, Mr. Gooding, does that 30 cents per pound of butterfat include the returns from skim milk?—A. No, sir, it does not.

Q. That is an extra amount?—A. Yes. Our prices for the other commodities, which may interest you, are as follows: on this table cream market we get 30 cents per pound butterfat; the average price for churning cream averages 15 cents per pound butterfat; the average price of cheese milk that we paid our shippers was 17 cents per pound butterfat. So, gentlemen, it is quite easy to see that if you just base the percentage per quart on the fluid market—and our percentage per quart is 4.05 cents—but if you include our total supply it works out at approximately 2·27 cents per quart.

Now, of course, gentlemen, we realize that that is practically all the trouble to-day. It matters not in what city we are shouting 2 cents a quart, we really in order to understand our problem correctly should base the amount of the consumer dollar that is actually sold on the fluid market. Now, 4·05 cents per quart is not 50 per cent of the consumer dollar as we naturally would assume, considering that milk is retailing at 10 cents in Saskatoon. But, gentlemen, there again naturally I am not here on behalf of the distributor or any other manner of man. We do claim that we cannot solve our problem until we understand it—rightly or wrongly. In our early days we thought when milk was selling at 13 cents a quart—the highest was 15 cents—we overlooked the fact that we had to consider wholesale, and we had to think of the hospitals, and now during the depression we find that we must sell milk for distribution for relief purposes. So that is not correct to say that milk is being sold at ten cents. The average price per quart is somewhere between 9·30 and 9·38 cents per quart; and so of course when you consider that 4·05 cents per quart is our average price at a basis of 3·5, that our milk is sold on a basis of between 3·5 and 3·8, making, if our milk was sold at 3·8, we would have 4·35 cents per quart. The retailer sells at a basis, a butterfat basis of 3·8, but we do not always sell at 3·8, so that really the price is not 4·35 cents per quart, but it is more than 4·05 cents per quart, because we sell between 3·5 and 3·8, and the minimum is 4·05 cents per quart and the maximum is 4·35 cents per quart, and so our basis to the producer is between these two figures. That is the honest actual price that the producer gets, between 4·05 and 4·35; and having in mind the fact that milk is not sold at an average price of ten cents, it is sold more like 9½ cents, you will see that we have, even under the very depressing conditions, carried out our policy, when we said to ourselves in 1927 that we considered the producer was approximately entitled to fifty cents of the consumer's dollar.

It is true, Mr. Chairman, that we still have worlds to conquer. We are not, by any means, figuring we have reached our goal. Neither do we by any manner of means uphold the present method of distribution. That is the determining reason why we entered the business that we are in to-day. On the other hand, we set out with an objective until times changed, or rather methods of distribution changed; we said that we must try to get fifty cents of the consumer's dollar. We have been just as successful as I have tried to point out to you, since that time.

Another rather extraordinary thing is that many people think that the distributors are anxious to sell cheap milk. I don't know just what conditions are in other cities, but it is not the same in Saskatoon. We base our price entirely, roughly fifty cents on the consumer's dollar. Therefore the distributor gets 50 cents of the consumer's dollar. In 1927 when we started up, milk was retailing at 13 cents a quart. We got 6½, which is 15 cents a pound butter fat. That was our price then. The distributor also got 6½. Therefore he was not a bit interested in coming down to 12, 11 and 10, because his spread reduced to the same extent as our spread reduced. It is true that if it goes to nine cents, the distributor says he can't come with us; that is, the producer must pay their own; and for that reason it has not gone to nine cents, and the reason that it has not gone to nine cents is simply because we have a concern there—the equity of our members is $91,900, roughly $100,000. The distributors realized quite well that if the price goes too low that there is only one alternative, and that is for the pool to enter distribution itself. We don't want to do that, because our theory is, whether it is right or wrong, that we don't want to create more competition. We are particularly anxious to do what we can to see that there is less competition, and that is not solving our problem by simply going in and making more. The distributors realize that, and therefore we have, in what I might call dairy parlance, played ball together. We have been particularly fortunate in that regard. I asked the distributors the day before I left, stating that I was coming down to possibly give evidence, if they would care for me to give distribution costs, and I have some distribution costs here from the different dairies. I prefer not to mention just the actual dairies, but if you wish that information, gentlemen, I will be glad to give it to you. Also, I might say just for your information, the retail price of the commodities that we sell to-day is 10 cents for fluid milk, nine cents for relief; and then of course we have the wholesaler; that is the hotel man or wholesaler around town that still gets a discount under 10 cents a quart, depending entirely how he buys, whether he buys by the bottle or the can.

By Mr. Pickel:

Q. Are the stores distributing?—A. No, we have no chain store distribution; but when you say distributing, the corner store and so on, they do sell milk from the distributors. The distributors just leave milk at the stores the same as they leave it at the householders. But the chain stores, as I would interpret what you mean—we will take the Winnipeg situation for instance—we have not that condition in Saskatoon.

The table cream is selling at 30 cents a quart, and 20 cents a pint and 10 cents for a half pint. Whipping cream is sold at 50 cents a quart, 30 a pint, and 15 cents for a half pint. We realize that there is a terrific spread between the 30 cents a pound butter fat and the price which I have given to you, and it is too great. I am quite prepared to admit that. We hope some day to be able to lessen that spread for the producer. On the other hand, table cream sales of this nature that I have just read to you are so very low on account of conditions in the west, and perhaps everywhere the same for that matter, that the return from their wagons—they take out so many units of these various types

of cream, and they bring back half of them, and that is, of course, our trouble. Then they can't sell it the next day. They must just put it into the churn at the prevailing churning cream price, and so their spread on the face of it is nothing quite as great as would appear. On the other hand, gentlemen, there is no question but what the spread is far too great; and under normal conditions, I am quite satisfied would not exist.

By Mr. Porteous·

Q. What percentage is table cream and whipping cream?—A. Do they sell?

Q. Yes.—A. I am sorry I could not answer that question. There is very little whipping cream sold these days.

By Mr. Taylor:

Q. Your revenues from the powdered skim milk should take care of the reduction of price in the cream, would it not?—A. Yes, in a way it does. On the other hand, of course we don't mix the two. We feel that table cream in the city of Saskatoon, and all others in the milk industry as a whole, should be based on fluid prices, and not on churning cream prices. That is a fault that has happened all over Canada. The distributors as I understand it, they base table cream prices on churning values. We don't allow that in Saskatoon, and I think the Fraser Valley producers base table cream on fluid values and not on churning values.

Q. You would have skim milk from your table cream?—A. That is where we get it from, that is from separation of the table cream, yes, sir.

By Mr. Pickel:

Q. What is your financial set-up, capitalization?—A. Well, we have no capital. We are rather an extraordinary concern.

Q. What are your assets?—A. Our assets—the members' equity is $100,000. Our assets at the present time, at the end of March—

By Mr. Bouchard:

Q. That is paid up capital or just subscribed?—A. Subscribed.

Q. Subscribed?—A. Yes. Our total assets to-day, $178,198.62.

By Mr. Pickel:

Q. Does that include your whole plant, your manufacturing, your churning?—A. Yes.

Q. Your cheese making?—A. Yes.

Q. And your milk powder?—A. Yes.

Q. And everything?—A. Yes.

By the Chairman:

Q. Are your stocks included in that, stocks of milk, cheese?—A. Our stocks, quite correct. The members' equity is $99,000 odd—it is so nearly $100,000—

By Mr. Tummon:

Q. Approximately $100,000?—A. $99,161. How we get our capital is as follows, gentlemen: The milk shipper is deducted a five per cent reserve from the total value of his milk shipped. That is how it is done. When we started up we hadn't a dollar. We said to ourselves, "Here, we have got to organize this pool—as it was of course commonly called and is still—the way to do it is for all of us to chip in $10 apiece," so we put $10 apiece in the hat. We went over to a

solicitor, and we said, 'Here, we want you to organize a pool." There was roughly one hundred just at that time; we didn't get them all in, just about one hundred. At $10 apiece, that naturally made $1,000. We went over to a solicitor and we said, "Here is $1,000; we want you to organize a pool." And a few of us got together, and along with this solicitor we decided to organize. This was the first of April, 1927. We deducted five per cent of the milk shippers' total receipts as a reserve.

By Mr. Pickel:

Q. What is you reserve now?—A. That is it, $99,161.

By Mr. Bouchard:

Q. When a new member is coming in, how do you do? Is he accepted just for $10 as the previous one?—A. Yes, absolutely.

Q. But he has not contributed to the reserve?—A. He will do, the moment he ships.

Q. Yes, but you have built up first; they invested their money?—A. Yes.

Q. They have built up something which is worth something, and the newcomers are accepted at that?—A. Yes.

By the Chairman:

Q. I suppose, Mr. Gooding, that on the equity which each member has in there, they pay interest?—A. No, we don't pay interest, no sir.

Q. No dividends on the equity that he has?—A. No, no dividends at all, except this, that if a member quits the pool he gets his money out; we have never held any member's money. That is of course, different to most other concerns.

By Mr. Pickel:

Q. He is paid what he has contributed?—A. Yes, absolutely.

By Mr. Tummon:

Q. There is no share value?—A. None whatever.

By Mr. Porteous:

Q. Your patent is taken out on a cooperative basis?—A. Yes.

Q. Not a joint stock.—A. No, sir. That is why we do not pay interest. We say to our members, as long as you are active members of this concern, then your money is being taken care of, or rather your investment is used for your protection, and as soon as you quit dealing with us, then here is your money. And, of course, they have always paid the amount. We do not pay them in cash. Suppose they have $400 or $500 in. We do not pay them $400 or $500 in cash, but we do pay them over a period of a year or so, as the Board of Directors decide.

By Mr. Pickel:

Q. Did you have much opposition, Mr. Gooding, when this venture was first started, from the distributors?—A. Terrible, sir, terrible. I think perhaps, we put up the greatest fight—however, now we get together, and we understand each other more; but at the beginning, we did get very terrible opposition, not from Saskatoon only, but from Montreal to Vancouver. The private interests, naturally, do not, gentlemen, like to see the farmer invest his money. Before it was a protection association for years. We were a bargaining association. We could meet the distributors, and if we could not get the price, we would strike. We got over that years ago. We said it was the only way to do this; that if we were not satisfied with the deal we were getting from distributors, to endeavour to do it ourselves. That is what we are doing.

By the Chairman:

Q. You are not a distributor of milk?—A. No, sir.

Q. What would happen in case you could not come to an agreement in regard to prices with the distributors?—A. Well, we have a plant that is equipped, even with a hole in the door, ready to sell milk.

By Mr. Tummon:

Q. A pasteurization plant?—A. Yes, we have all the equipment necessary. Of course, we would have to buy a car of bottles, as we have not invested in actual bottles.

Q. How many shippers did you say you control?—A. We control all of them, that is, we control around 250, approximately 250 in Saskatoon. Our membership is around 250. When we say 250, perhaps you will find in two or three weeks there will be about 230 to 240, but the ordinary number of shippers is 250.

By the Chairman:

Q. In what radius?—A. A 60 mile radius.

By Mr. Tummon:

Q. Then, in that district there are 13 or 14 not connected with your pool?—A. That is exactly right.

Q. That you say, to the Chairman, constitutes the shipping district, approximately?—A. A 60 mile area.

By the Chairman:

Q. Sixty mile radius?—A. Yes.

By Mr. Tummon:

Q. That practically covers a unit—A. That is what is commonly termed the milkshed.

Q. The milkshed?—A. Yes. The city of Saskatoon decided that; that not much milk comes into Saskatoon from outside a radius of 60 miles.

By Mr. Taylor:

Q. Do you pasteurize your own milk?—A. No, sir, we don't—pasteurized, yes.

Q. The distributors pasteurize the milk?—A. Yes, and that is our protection. In regard to Mr. Chairman's question, we are all ready to act. Of course, we have quite a large-sized factory there in regard to our cheese and butter, and milk powder and all the rest of it; and we have our milk department, an actual plant and cold storage, and our milk room, which is being used for other purposes right now. But we have the plant there ready to act, if we cannot make a deal with the distributors, and all we would have to do would be to open the door and distribute it ourselves, and, of course, Mr. distributor realizes that.

By Mr. Tummon:

Q. Does not the fact that the city of Saskatoon set a milkshed area answer the question as to why the chain stores of Saskatoon are not selling milk and making it a leader?—A. Well, sir, in a way, yes. We have compulsory pasteurization, and it is correct that compulsory pasteurization helps the dairy industry. Of course, it only helps them to a point. We get terrific opposition from a certain attitude of the consumer against city health laws.

By the Chairman:

Q. How does it help, is it because it eliminates competition, is that the idea?—A. You mean the 60 mile radius?

Q. No, pasteurization?—A. No, sir, but it is in a way. You see, so far as we are concerned, the health regulations and the preparing of milk for market should not be mixed up. It is true that the distributors of milk throughout the country say "We want city compulsory pasteurization." Why? For the health of the citizens, or for their own protection? That is the great question, and obviously the consumers in Saskatoon and the council of the various bodies say, "You fellows are making a joke of the health laws, not because you care a hoot about the city of Saskatoon, you just want protection for your industry." And so it really should not be mixed together at all, it cannot be. The fact is, Mr. Chairman, that 60 mile area, or any other area subscribed by the city, is undoubtedly a help to the industry. It is a help also to the producer if he does not compete one against the other; but it makes no difference whether it is a 10 mile area or a 100 mile area if the individual would insist upon breaking that market, the 60 mile area or any other natural milkshed is of no avail to stabilize the fluid market.

By the Chairman:

Q. How does the city get authority to establish that area?—A. Well, sir, you mean whether it is ultra vires or not?

Q. Yes.—A. I cannot tell you. We have been arguing that, whether it is or not.

By Mr. Tummon:

Q. Coming back to that point in regard to chain stores, it would look to me as if you had in that 60 mile area around Saskatoon, all the shippers with the exception of 13 or 14?—A. Yes.

Q. And if it is a complete organization working in co-operation with the distributing companies, the chain stores cannot get their milk?—A. I mean to say the chain stores have been dickering for milk in Saskatoon the same as in other places, but the distributors have not encouraged them, naturally, and neither have we. The manager of one of the chain stores in Saskatoon, came over to see me about six months ago and said "We are going into the milk business; we want milk." I said, "If you want milk, we are able to supply it to you at the ordinary prices." He asked the price, and I said, "The same as the distributors, 46 cents a pound butterfat." He said, "Why man, you know the farmer is getting only 2 cents a quart"—the same old story you hear all over the country—"we can surely buy milk cheaper than that, and the farmers are only getting 2 cents and the consumer is paying 11." I said "Of course, that is not so. On the other hand, our price is 46 cents, and if you can get it cheaper than that, we would like to see you try." He did not. We have not had any trouble from the chain stores, none whatever. I might say also, gentlemen, that there is a big firm—perhaps I should not mention the name—who wanted also to come into Saskatoon. They wrote to the Secretary of the Board of Trade, and they decided, after getting information from the Board of Trade that they would not locate in Saskatoon. I know quite well, but I would not like this to be published, that they wanted to come in, and the reason they did not come into Saskatoon is because of the highly organized milk producer.

By the Chairman:

Q. Mr. Gooding, the feature of your evidence that interests me more than any other is the fact that you have to a certain extent created a monopoly there. I do not mean that in criticism, but I want to elucidate it, if possible.

I want to base a question on that remark. If the consumer should be dissatisfied with the price that is created, does he ever use substitutes?—A. The consumer?

Q. Yes.—A. No, sir.

Q. The reason I ask that question is this I was told not long ago that the consumers in Saskatoon were using a very large proportion, or more than the ordinary proportion of powder and evaporated milk, and substitutes?—A. No, sir, that is not correct. As a matter of fact, the per capita consumption of milk in Saskatoon is three quarters of a pint. You may think that is very low, but I understand a half pint is the average for the Dominion. I am not sure, but that is how I understand it, three quarters of a pint in Saskatoon.

Q. You have no evidence in regard to that?—A. No, sir, beyond the fact that the milk that is sold in Saskatoon to-day is quite normal; it is in proportion to the consumption in 1927 when milk sold at 13 cents a quart, the same thing exactly. True enough, condensed milk is sold, naturally, but not out of proportion to any other city, no, sir.

By Mr. Bouchard:

Q. What is the relationship between the Board of Health of the city and the producer of milk; is there any inspection?—A. Yes, sir. Every shipper must be a licensed shipper. Again, it is a question whether it is ultra vires or not. I am more or less inclined to believe it is. We as producers, believe it is none of our business. We say if the city health department were to give out a licence to me to licence my barn and my cattle, I have to pay a dollar for licence, and I must do so in order to ship milk—

By Mr. Porteous:

Q. Who collects it?—A. The pool collected it from the producer, and we pass it on once a year to the city. I may say gentlemen, I realize that you perhaps think that we had a monopoly or something like that, but really it is not so. We did have, with the Combines Act, a terrible worry. It cost us no amount of worry. We were just ready to blow sky-high, if we had not been very careful, if we did have 100 per cent milk control, not because it is not sound—gentlemen I can assure you it is the soundest thing in the world. But it is just too bad if we blow up $100,000 simply because we realize the Combines Act is there, and it is understood to interpret a certain idea, and that is that. We cannot help that. It is just too bad, but that is all we could say about it. But I can say this; we had an iron-bound contract with the distributors when we started. To-day we have a little letter saying we will buy their supply from them for the ensuing year; that is all. I venture to suggest in two years from now, perhaps three years from now, if conditions carry on the same as they are now—I cannot tell—if things are just as normal as they are to-day, we won't have anything at all. If some unorganized farmer, can come to the city of Saskatoon and sell milk at a certain price, then, we must sell it at that price. In other words we come to this stage where we can sell milk at the same price as any unorganized farmer that ever lived; therefore he does not get the business. When we sell skim milk products to you people in Ontario, we sell it at a competitive price. If we do not do that, we do not get the business, and it is the same argument exactly, that we use in Saskatoon to-day, exactly the same thing. We are selling the milk to all distributors. We have nothing iron-clad, Mr. Chairman, which is called a monopoly; there is nothing iron-clad about it. Any one has the same opportunity to sell milk to the distributor, if he can get the business, but we have it and we are sure going to hang on to it, from a purely competitive point of view.

By Hon. Mr. Motherwell:

Q. Do the patrons of your pool come all from out of the T.B. restricted area?—A. Yes, sir.

Q. How do those farmers that are outside the pool dispose of their goods, direct to the consumer or through a distributing company?—A. Well, as I said before, there are only about 15 or 16—

Q. Eighteen.—A. About 18 who are outside the pool, and they sell direct to the distributor, and they lose 6 cents a pound butterfat, get 6 cents a pound butterfat less than we do. Our average price for the year is 46 cents, and this particular firm pays 40 cents.

Q. I suppose they will get rid of all theirs?—A. That is correct; that is the unfair part of it. They get 40 cents on all their milk and we get 46 cents for 41 per cent of ours. And that is why, of course, we must be very good competitors even though we are co-operative.

Q. Is there a tendency for any of them to leave the pool and join those 15?—A. No sir, the other way around. It works this way. We have never turned a man down. We take care of all his milk irrespective of how much he ships. This particular firm will have about 15 shippers, 20, and when their production is at its height, they cut off 2 or 3 with the result they get 40 cents a pound butterfat for a period for all their milk as long as it is distributed, but he does not know how long it will last. On many occasions they have come over to us and said, "We would like to come in with your fellows, where you can take care of our milk all the year round, and we are quite prepared to get the average price for it, and not allowed to be shipping milk one day and back the next, and back again some other time in the year, and back up again some other time." It is not working out to their interest. On the other hand, we are quite satisfied. We realize the Combines Act is there, and it covers almost everything.

Q. Those 18 shippers, or whatever number it is, give a sense of security to the customers that there is not a combine.—A. Yes, that is correct.

Q. On the other hand, it gives your company or pool a feeling, if you like—A. Yes, that is correct.

Q. —that you are not trying to hog everything?—A. Yes.

Q. Do you think if you had 100 per cent registration it would be satisfactory to all? Do you think it would be satisfactory to your customer, irrespective of the Combines Act?—A. To our producer, yes, but to our customer—

Q. I mean the consumer.—A. Well, to the consumer? I must quite frankly admit that unless we have some support from perhaps outside sources to educate the consumer that he was not getting licked, I would prefer not to have it.

Q. Yes?—A. Yes, sir, for that one reason. I may just as well say quite frankly, gentlemen,—I suppose it is the same in every other city, but in Saskatoon the milk problem is a real political football. Milk always has been, and always will be. I do not know whether it is the case in other cities, but we have always one or two aldermen getting up—

Q. You mean municipal politics?—A. Yes. They get up every fall and tell the people that they are the champions of cheap milk; that there is a monopoly. And of course they get elected. That is that, sir. I doubt very much whether a combine of that type is wonderfully helpful. I want to go on record as supporting the idea of 100 per cent, because I know the value of it to the district. The consumer of course, does not quite like it, not in that way.

By the Chairman:

Q. Do these politicians keep their promises like all the rest of them?

By Mr. Motherwell:

Q. I think over a sufficiently long period in which to educate the consumer to establish a community interest it would develop?—A. Quite correct.

Q. But at the present time you cannot have it?—A. Yes.

Q. Under present conditions?—A. We have tried. In Saskatoon we have tried along with the organization. We have tried with the Ratepayer's Association, and the local council of women and various organizations of that nature. We have asked them and tried to educate them. We are prepared to have a committee representative of the consumers along with ourselves to regulate prices in the event of one concern handling the whole commodity. And the local council of women have been very sympathetic. We have of course, labour organizations that just do not know what it is all about, and they are a little suspicious.

By Mr. Bouchard:

Q. It was never suggested that co-operation as it is in existence in England should be worked out with the consumer and your pool establishing a fair price? That was never suggested?—A. What is that question?

Q. It was never suggested that the co-operation of the consumer should be organized?—A. No.

Q. In order to take care—A. No, sir; we have never suggested that. We have simply told the consumer in Saskatoon—

Q. It is not your business?—A. No.

Q. It is more the consumer's business?—A. That is correct. That has been our answer when this matter of combine has been raised. We are quite prepared to have a representative of various consuming bodies meet the committee; that is to say, they could tell the consuming public whether we are unfair or whether we are not.

Q. Now, I understand that you pay according to the strict butterfat basis?—A. Yes.

Q. Supposing you have an overflow of milk in the summer and in the wintertime you have less milk, how do you take care of it? Do you take the whole production of the producer? What about the man who will produce a big flow of milk in the summer, and in the winter will be working on a higher cost basis, perhaps, to produce a bigger supply of milk? Don't you think that if you pay an average price to the producer you discriminate against the one who goes to the expense of working out the production of milk when milk is scarce in the wintertime?—A. Yes. I can answer that this way: that we pay 48 cents in the winter, and 44 in the summer, or an average of 46 cents. The reason we pay four cents more in those winter months, is to encourage that very thing you suggest, that is, winter production; and the farmer that ships the majority in the winter time gets 48 cents a pound butterfat for the fluid market milk, which is the most valuable in the milk market.

By the Chairman:

Q. And 4 cents is enough to induce him to do that?—A. Under the present conditions, yes. You see, when milk was selling at 13 cents, and the average price was 75 cents for butterfat, the spread was greater. There is one other factor there as well sir, and that is this, cheese prices and butter prices always have been, since I have been in business, lower in the summer than in the winter, so the milk producer in the winter months has a higher price for fluid milk, and also a higher price for cheese and butter. The net check is always higher from October to February than it is from March to the following October.

By Mr. Tummon:

Q. Would the greater proportion of the flow go into the fluid market in the wintertime?—A. Yes.

By Mr. Pickel:

Q. What is the total amount of your milk handled?—A. We handle around 1,000,000 pounds of milk every two weeks, that is 2,000,000 pounds a month.

By the Chairman:

Q. Your establishment, Mr. Gooding, is large enough, of course, so that you never have a shortage?—A. No.

Q. What is the population of Saskatoon?—A. Well, they tell us it is 45,000, Mr. Chairman, but I think 40,000 would more or less hit the mark.

Q. Would it be possible in a city the size of Toronto or Montreal, where there are 700,000 or 800,000 or 1,000,000 people, to establish a shed in which there would not be a shortage of milk?—A. Yes, absolutely.

Q. What about transportation? It would cover quite an area, would it not; if you need a radius of 60 miles to furnish a population of 45,000, what would you say about 700,000 or 800,000?

Mr. PICKEL: It is more thickly settled.

The WITNESS: I may say this: we can get enough milk within 10 miles of Saskatoon for all our requirements. The city have decided that 60 miles is the radius.

By the Chairman:

Q. Would it not be better in the interests of your pool to shorten up that radius, and then you would sell a larger proportion of fluid milk and thereby derive a better return?—A. We can only sell so much milk, Mr. Chairman.

Q. If you had a smaller area there would be less of the milk then turned into other sources?—A. Well sir, it is very doubtful how that would work. Of course, it is not exactly our competition; but it does not matter how small the area if you must have simple iron-bound laws to say that a man cannot cross a line and you must not ship milk, if you do you will be put in jail. If you did that, possibly it would help, but nothing short of that would. We are not particularly interested in any particular area. We realize this cheese-milk and the cheese-butter, not only in our own country—in Ontario, it is more vital—will butt in on the whole milk market. They undoubtedly will so long as the price of cheese-milk is where it is to-day, and the price of fluid milk is where it is to-day. They are bound to do that.

Q. It depends on the control?—A. Yes, sir; the whole structure must be controlled. There is only ourselves making cheese in Saskatchewan in the wintertime. There are a few others in the summer. We had a meeting down here yesterday, and they told me that the average of cheese put out in Ontario is around 80,000 or 90,000 pounds, but we will be well over 300,000 pounds ourselves in the one factory this year, and they have 700 of them down in Ontario, and their average is around 80,000 or 90,000 pounds.

By Hon. Mr. Motherwell:

Q. What percentage are you short of a 100 per cent pool?—A. Just those 18 shippers.

Q. What percentage does that make?—A. Eighteen from 250.

Q. What percentage of those who are outside of the pool does that bear to the total?—A. We only have 250 milk shippers. We have 2,000—

Q. That would be about 8 per cent?—A. About 8 per cent.

By Mr. Tummon:

Q. Of course, in your comparison of the making of cheese in the two provinces, transportation charges must be taken into consideration?—A. That is correct, sir; but you must have the fluid milk market to hold your price up so that you can bring in that other milk from long distances and take care of the transportation and pool all your market so that your average price is sufficient for the farmer to stay in business.

Q. In our district, for example, in connection with cheese factories the flow of milk to each factory comes in from a radius of a couple of miles?—A. Our average price to the shipper this year is between 30 and 35 cents a pound butterfat.

By Mr. Bouchard:

Q. Taking your cream as cream, do you get it out of fluid milk?—A. We have 250 milk members. I have simply told you our milk section. We have two sections in our pool—the milk section and the cream section. We have about 1,800 cream shippers and 250 milk shippers. Now, it is the milk shippers I have been talking to you about this morning.

Q. I would like to hear about the cream?—A. As far as the cream shipper is concerned, unfortunately, there is not very much to tell in the way of profits, because we have been in the cream business for the last three years, and, of course, prices have gone all to pieces; but we are very fortunate in this regard that our volume of cream is greater to-day than it was a year ago. That, I think, shows that our pool—

Q. They are not members of your organization?—A. Oh, yes, they are, absolutely; contract signers the same as the milk shippers.

Q. It is just one organization? It increases the number of your organization. How many members have you got including the cream and milk shippers? —A. Just the one organization, but two sections, the milk shippers section and the cream shippers section.

By the Chairman:

Q. Is that sweet cream or churned cream?—A. Churning cream. That is a pure churned cream section.

By Mr. Bouchard:

Q. Is your fluid milk not the source of your fluid cream? Do you separate that from the milk itself?—A. Yes.

Q. And what do you do with the skimmed milk?—A. Powder it.

Q. What is the value of skimmed milk?—A. To the producer?

Q. Yes.—A. Well, sir, that is operating costs, but I am prepared to tell you—it is purely an operation cost.

Q. Something like 10 cents a hundred pounds?—A. Oh, yes; more than that.

Q. You are aware of the fact that in some cities the skim milk is just going into the sewers?—A. Yes. That is correct; but ours, of course, is not.

By Mr. Tummon:

Q. In the manufacture of your cheese do you dispose of the whey?—A. Yes. We sell it all.

Q. How do you handle it? What I am getting at is: your shippers are so far away that you cannot return it?—A. Yes. We sell it to two men that are in partnership in the hog business right outside Saskatoon.

By Mr. Porteous:

Q. You skim it first?—A. No, sir; we do not.

By Mr. Tummon:

Q. Would it be fair to ask you about what you realize for that whey per 100 pounds?—A. Well, sir, I have never figured that out. We make three vats of cheese a day, 75 gallon vats, and that is a lot of whey. I would not say we make three vats of cheese all the year around, but we get $750 a year for the whey. Just what that means a pound I have never figured out.

Q. It is pretty cheap?—A. Awfully cheap.

By Mr. Porteous:

Q. From the fluid milk standpoint, would you say that the secret of your success has been the keeping of that surplus off the market?—A. Absolutely.

Q. In your opinion, through co-operative effort, could not that be done in any locality?—A. Yes. I am absolutely satisfied that it can.

By the Chairman:

Q. How do you distinguish between fluid milk shippers and your sour cream shippers. Is that arranged by considering the sanitary conditions of the farm? —A. Yes.

Q. Altogether?—A. Yes. The city have them licensed. Their channels of milk must be licensed dairymen. The cream shipper does not. That is according to the city regulations.

By Mr. Taylor:

Q. With regard to the returns for 100 pounds of skim milk, how much would you realize on the powdered milk?—A. Well, sir, I do not know how to answer that question.

Mr. PICKEL: It is a trade secret?

The WITNESS: Yes. I am not particularly anxious that we should be telling our cost of manufacture and production. If I must, I certainly will.

By Mr. Loucks:

Q. How do you charge for this powdered milk? A number of the farmers do take it back?—A. Yes.

Q. And what does it cost them?—A. We sell it back to our farmers at $5.25 per 100 pounds.

Q. The powder?—A. Yes. In 100 pound sacks. It has been as low as $4.75. The skim milk market, of course, fluctuates the same as any other market, and we have sold it back to our farmers at $4.75. Right to-day it is $5.25. That is not the price we sell to the trade. The members have that privilege.

By Mr. Taylor:

Q. How much powder would you get from a hundredweight of milk?—A. Roughly $8\frac{1}{2}$ to 9 pounds of powder from 100 pounds of milk.

Q. The reason I asked you that question was that I questioned you a while ago with regard to sweet cream and you said you were selling it too cheaply. If you have this powdered milk I was trying to get the basis at which you figure that?—A. Yes.

By Mr. Porteous:

Q. With reference to profits—all those profits that accrue go back to the patrons, do they not?—A. Absolutely. We have returned the skim milk powder dividends—bonuses we prefer to call them—from time to time. We did not

last year on account of our making an investment in a certain piece of property. We have not realized yet on that property, and until we do, last year's profits on milk powder—credits on milk powder will not be distributed.

By Mr. Bouchard:

Q. Are they in proportion with the amount of milk that was contributed?—A. Absolutely, yes.

By Mr. Weir:

Q. You say there are between 1,600 and 1,800 cream shippers within the same radius?—A. We have 1,800 cream shippers and 250 milk shippers.

Q. Are the 1,800 within the 60-mile radius?—A. No, sir; cream can come from any area.

By Mr. Tummon:

Q. The city deals only with fluid milk?—A. The city deals only with fluid milk.

By Mr. Bouchard:

Q. Are the cream shippers not submitted to any regulation by the Board of Health?—A. No, sir.

Q. None whatever. Don't you think it would be a good recommendation to have the provincial government take care of that to get rid of this system supported by the friends of the pasteurization people?

By the Chairman:

Q. Suppose another 250 of these cream shippers should qualify for the fluid milk market, what effect would that have?—A. If 250—

Q. If another 250 shippers should qualify?—A. Yes, that is correct. If another 250 qualified for the whole milk market they would have one of two things to do—mind you the city Board of Health, they go out and inspect any dairyman or any farmer when he asks to be inspected; they do not say no; they say yes, irrespective of whether they want the milk or not. They go out and inspect the extra 250 which the chairman is speaking of, and if they all live up to regulations they get a licence. That means that there are 250 more licensed shippers, and the next chap is after a market to sell milk.

Q. You could not refuse to take them into your organization?—A. We can now, because we have these other 15 that are shipping to the other distributors. Before we were stuck tight.

By Mr. Tummon:

Q. You have got it down pretty well?—A. Yes. Before we were stuck. It simply meant we had 500 instead of 250.

The committee rose at 1 o'clock to resume at 3.30 p.m.

The Committee resumed at 3.30 p.m.

The CHAIRMAN: I shall now call Mr. Love.

J. R. LOVE called and sworn.

The CHAIRMAN: Mr. Love, I understand, is a member of the Alberta Legislature, and also connected with the Alberta Pool or the Alberta Milk Producers.

By the Chairman:

Q. What is your position Mr. Love, with the organization?—A. I am a member of the Northern Alberta Dairy Pool Limited, of Edmonton.

Q. You are going to give us a statement, are you, first?—A. Mr. Chairman and gentlemen, I have listened with a great deal of interest to the officials and executives of our western co-operative dairy organizations. I am sorry I cannot come to you and speak to you as an executive or as an official that understands all the inner workings of the dairy business. The point of view I should like to place before this committee is the point of view of the ordinary member, the producer, and to try to give to you the information that you desire in regard to whether our cream or milk producers are getting a fair return for the products they are delivering through our organization.

Mr. Chairman, I know that the committee like me to get to the point, and I shall try to review briefly the type of organization I am representing. We are quite different from any of the organizations that you have had represented this week before your committee. The set-up of our organization is what I presume some might call the Danish system. It is a non-capital stock type of organization. It is based on purely a contract, a member's agreement with his association, which is very rigid and binding over a period of years. Perhaps to give you some comprehension of what is involved when a member joins our organization I might refer to some of the clauses in our agreement, and if you wish, I shall file the agreement with the committee.

The CHAIRMAN: You will file the agreement; thank you.

The WITNESS: Now, the committee is primarily interested, I understand, in the fluid milk situation.

By Mr. Bouchard:

Q. Including cream.—A. Including cream. Here is how we, as members, are tied up to our organization. The pool, which is the association, agrees to receive and take delivery of the milk and (or) cream delivered to it by the producer; to handle, transport and market all or any thereof as fluid milk products or by-products, all within its discretion and in whatever way and at such time and place as the pool shall, in its judgment, determine to be to the best advantage of all the producers who have signed this agreement or any agreement similar in terms. Therefore we have, by becoming a member of this organization, forgone any opportunity of taking advantage of the fluid milk market, except when our organization through its management may permit any of us to do so. Now, in the organization, fluid cream and milk shall be pooled separately, and will be kept in separate funds all the way through the different processes through which they pass. The pool reserves the right to notify and require the producer from time to time and, in the absolute discretion of the pool, to deliver its product to the pool either as cream or fluid milk or in a designated percentage of each, and the producer covenants and agrees to deliver his milk and (or) cream in accordance with such notice and requirement. Out of the product there are various funds set aside, up to two cents per pound of butterfat and up to six per cent of the other products handled, to create a commercial reserve, to set up a reserve for the purchase and payment of our plant, and for any other purpose that the board may see fit to use that fund for. We sign this contract for a period of five years. It is automatically renewed for a further five year period, unless during the six months prior to the date when this contract would otherwise expire, either party gives notice to the other of his desire to withdraw. So unless we are on the job, and take advantage of the opportunity within six months before the end of each five year period, we are practically tied up for life, or as long as we are in the business.

By the Chairman:

Q. Has the validity of that ever been questioned?—A. It has never been questioned. It has never gone before the courts. I think we have obtained the very best legal advice and assistance in drawing up this contract, and it has never been contested in the courts.

By Mr. Pickel:

Q. What town do you come from?—A. I come from Edmonton. The headquarters of our organization is in Edmonton.

By the Chairman:

Q. What happens if a member gives up farming entirely? Is there provision there to release him?—A. The association may release him then. If a man ceases to produce, the association would naturally exercise its right to cancel his agreement, if he does not do it himself.

Q. You would not hold any man that went in on the same farm that he is on?—A. No.

By Mr. Pickel:

Q. Your head office is in Edmonton?—A. Edmonton, Alberta.

Q. Have you subsidiaries around in other different towns?—A. Now, I will give you some idea of the organization, how it functions. The Northern Alberta Dairy Pool operates in what might be termed the northern part of Alberta, with Edmonton as its centre. We have two sister organizations that work on the same plan, but yet are entirely separate, separately incorporated, operate and are responsible entirely to their own respective members, one at Alix, which manufactures butter only, and serves the central part of Alberta, known as the Central Alberta Dairy Pool; and the Southern Alberta Dairy Pool with its headquarters in Calgary, serving the southern part of the province. I might say that the difference between the southern unit and the unit that I represent and am a member of, is that the southern unit have separately incorporatd their milk section and their cream section. The Southern Alberta Dairy Pool manufactures butter; the Calgary and District Milk Producers Association is in the milk distributing business; the Northern Alberta Dairy Pool is in all the different branches of the industry right from the barn through to the consumer's doorstep. We manufacture primarily butter, and we started our organization in 1928. At the end of that year we had a membership of 847 who had signed the agreement. At the beginning of this year we had a membership of 3,059 who had signed this agreement; and it may be of interest to the committee to know that on account of hard times we have not employed an agent of any kind to solicit memberships in the country. We spend practically no money in trying to get more members, but what we have done, we have said to the producers by and large, "Ship to us; if you are satisfied, sign our contract and obtain your share of the profits we can show you." The result of that, owing to the satisfaction that we have given, is that 289 signed up last year in reply to that invitation to become members. The earnings of our organization are distributed and accredited only to members. The non-member can get the market price of cream, because we pay the daily market price, the same as he can get from a private company, but the only way he can participate in the dividends is by signing the agreement.

By Mr. Bouchard:

Q. Do you call this a dividend or just a return, an apportioning?—A. I presume that in this organization there are no such things as profits. If you will read that agreement, it will say that where we are to transport, handle, process, and market the farmers' product, we shall deduct expenses and return to him the balance.

Q. You just apportion the benefits?—A. That is it.

Q. According to the quantity of milk that they supply?—A. Yes. I think a fair interpretation of that dividend question is that the initial price we pay to-day for cream or for milk is the first payment, and the final payment is made at the end of the year's business.

Q. Exactly; I prefer that.—A. I think that gives a better interpretation of what it is. We started as a cream producers' organization, the centralizer type of course, drawing cream 150, as far as 175 miles I presume in some cases. Edmonton is quite different from Saskatoon. You will remember that milk in Saskatoon was within sixty miles radius; but in Edmonton it comes within fifteen miles radius, and not more than twenty miles radius of the city; and therefore, having obtained members close in to Edmonton, the demand at our annual meetings slowly but surely pressed the board to go into the fluid milk business; and in 1930, in January, we started in the fluid milk business. Up until that time there was only one large distributor of fluid milk. When we entered the business the second really large distributor also entered, and to-day there are three of what you would call large sized distributors, who pasteurize and deliver milk to the consumer. In addition, we have one very large private distributor who does pasteurizing. He has a very large herd, and it is a family proposition. He owns his cows and pasteurizes and distributes his milk. Then, of course, as you all know where you have not the favourable situation that you heard about in Saskatoon, the compulsory pasteurization by-law—we have not got that, and we have therefore a great number of independent small peddlers distributing raw milk throughout the city. I can't give you any idea of the proportion of the total fluid milk distributed by these independent peddlers.

Now, in 1930, we started into the fluid milk business.

By Mr. Bouchard:

Q. How did you get your money, first?—A. Very good. I am glad you asked that, because I think it is necessary to deal with that before we go into our business. Our financial set-up—in studying the Danish system, you will recall that they have also, in addition to co-operative marketing associations, co-operative banks. When the farmer signs up practically a life contract to deliver to an association, there is fairly good security to the co-operative bank to supply funds to give him his creamery plant. We have not that happy situation in Alberta. We went to the banks with these hard and binding contracts, but the banks said, "We don't operate in Canada on the Danish system, but if your government that was very generous in helping the wheat pool to start, would give you a guarantee that they will stand behind you, then we will give you credit as required." So the legislature of Alberta passed the Co-operative Marketing Act of some five years ago, in which the legislature, the government, was able to extend the same credit to dairy co-operative marketing organizations that was given to the wheat pool when it started business.

By the Chairman:

Q. Was it regulatory as well under the Co-operative Marketing Act?—A. The regulations under the act are very definite. The association—

Q. If you would rather continue, all right.—A. No, I would like to answer that. I think it is important. The association must first of all put up 10 per cent of the amount of capital required to build its plant, from its own resources. The government will guarantee the bank the remaining 90 per cent; and then the act requires that a certain percentage of that shall be repaid year by year. The maximum number of years, I think, is twenty; but we are hoping that we won't need many years to repay our loan.

Now, the progress we have made on that account, dealing with the finances; we have a plant now, an investment in plant of $217,437.52. Would you care to have me analyze that to show how it is made up?

Mr. Pickel: Yes, if you please.

The WITNESS: The real estate takes $12,433.90. We put a well down at a cost of $1,568.08. We were at the end of a spur, and required an additional spur into our premises which cost $302.58. Now, our creamery building which houses the creamery and the milk department as well, is an investment of $93,886.08. We have in the last year, at the request of our membership, undertaken to handle eggs and poultry; and we have a very modest building alongside of our premises, costing $11,101.32 for the poultry building. Machinery and equipment, including creamery and milk equipment, $82,430.16. Horses and horse equipment, $4,714.33. Wagons and sleighs, $8,464.15. Mr. Chairman, I say to the reporters that I will be glad to present this statement, so that they can get these figures.

By Mr. Pickel:

Q. You might just tell the committee how many horses, sleighs and teams you have on the road?—A. I want to say right here is where the difficulty arises for an ordinary member answering some of the questions I thought might be raised, and what I did—I understood I was to appear to-morrow—I wired yesterday for additional information that I might answer some of the questions that were asked the others. I think we have only around 14 wagons on the street.

By Mr. Bouchard:

Q. Just to complete our information, can you tell us who paid the 10 per cent required by the governments and for the banks?—A. The producers, the organization itself obtained the funds by loans, private loans and other means, to pay it itself.

Q. But there is no paid-up capital?—A. I am coming to that, as to how we paid that, I am dealing with the investment at the moment: Then we have in office furniture and fixtures, $3,305.02; and in motor trucks $4,779.40; our horse barn cost $4,452.50; that makes a total of $217,437.52, which enabled us to manufacture last year around a million and a half pounds of butter. The actual figures I can give you in a moment; and to distribute, I would estimate in the neighbourhood, of the past fourteen months, about three million pounds of milk—these figures are shown as at December 31, 1932, and the last statement was October 30, 1931, which is a fourteen month period. The reason for that was that formerly, we wanted our final payments to be sort of a Christmas present, and we found that we could not do it and they decided to let the year run to the end of the current year so that we can file our income tax reports and so forth, on the current year basis.

Q. Have you any income tax?—A. We have to file a return.

Q. But you don't pay any?—A. We pay a certain amount, that is, we pay on what we set aside as capital, but what we distribute to our members by way of final payment is not taxable.

Q. Well, you have no federal income tax?—A. I think we have to file a return, I don't think we have to pay.

Q. That is all?—A. Now, so much for our capital investment. In the past four years, in addition to paying what we term a current market price, we have earned for our members—this is rather ambiguous, I admit, I am calling it gross profits, but it is what some might refer to as final payment.

By the Chairman:

Q. That is, returns?—A. Returns of $112,995.

Q. Let us get that again.—A. In the four years ending December 31, 1932, our gross earnings——the final earnings that were available—amounted during this four year period to $112,995. Of this, we applied on the reduction of our capital debt, by issuing to our respective members participation certificates, indicating what they had contributed to the capital reduction in debt, an amount of $37,092.

Now, we plan to operate on what is known as a revolving finance system under which plan, when a member holds participation certificate marked "A," issued during the first year of operation, he will be paid out so that a new producer coming in at a later time will be carrying the load; and it will revolve like that, from year to year. We started on about a seven year basis, under present economic conditions, however, I think it will take a little longer. No interest is paid on these participation certificates. This was raised at our annual meeting about a month ago. There was not a request that any interest be paid, although the farmers were hard up as you all know. They thought if we could get rid of this interest burden and have a revolving system, that would be the proper way to function.

We have set aside for depreciation reserve on plant $37,181; and we have returned to our members in final cash payments $38,722.

Now, coming to the returns, in the way that I think you want them. You, I believe, are rather anxious to know, what do we pay to our producer for fluid milk, what do we charge the consumer, and what is the spread or the cost of doing business? We are paying to our fluid milk producers what we term a basic price of $1.80 per 100 pounds on 3·6 milk.

By the Chairman:

Q. Is that laid down, Mr. Love?—A. At the plant, with a 5 cent up and down payment for each one-tenth of one per cent increase or decrease in butter-fat content in the milk—5 cents a point.

By Mr. Bouchard:

Q. That is, 5 cents, fluctuating according to the price of butter on the market. —A. No, we maintained the 5 cent payment since we commenced business: 3·6 milk would be $1.80; 4 per cent milk would be $2; 3·2 milk would be worth $1.60. That is the way it works.

By the Chairman:

Q. It works both ways?—A. Yes.

By Mr. Bouchard:

Q. How does it compare this year with the price for butterfat in the ordinary channels of trade?—A. Now, if you would mind deferring that question, I think that is the crux of the whole problem throughout Canada to-day——this surplus problem. I have some interesting information on that. What I have dealt with is the fluid milk that goes through our milk department, which is called for by truck. The members that participate in this market are the members who qualify according to the regulations established by the city, which are very rigid. I have prepared a synopsis of these regulations.

By Mr. Bouchard:

Q. They are well observed?—A. They are very well observed, by the fact that the health department of the city maintains inspectors who are right on the job. They are more careful to-day than they ever were before. These inspection and sanitary regulations have of late become very rigid in the Edmonton milkshed. Aside from prescribing the number of square feet of space for each cow in the barn, these regulations call for a definite amount of window space for each cow, and a specially constructed milkhouse apart from the barn a certain distance—I am afraid I have not got the figures of the distance now—the milkshed must have cement floors, and a sterilization unit is now being requested that will cost in the neighbourhood of $100. This will likely become standard equipment for all milk producers delivering milk to the city.

Q. Is any ventilation system required?—A. Yes, the ventiliation requirements are very rigid. All cows producing milk for city distribution must be tested twice a year for T.B. The one I am giving you now I think is a rather recent requirement—all persons engaged in any work pertaining to milk production on the farm or the handling of the milk in the creamery, as well as the deliverymen, must undergo a medical examination periodically to ascertain their absolute freedom from communicable diseases of any kind. Now, that is getting the fluid milk situation to a point where a man who invests in a dairy to meet these requirements has a great deal at stake.

Q. To a point where pasteurization would not be needed.

By Mr. Vallance:

Q. Who pays for all this?—A. The producer pays for all that.

Q. For the protection of the city consumer?—A. Yes. Now, here is the point.

The CHAIRMAN: But you must admit that he gets a preference.

The WITNESS: Yes, the member who can qualify for a city permit to deliver milk to the city then applies to our Association for permission to deliver fluid milk through our organization. They are all tied up by a contract, and we therefore control our own surplus because we only take new shippers who live very close to the city, and who are qualified to ship. Our association decides whether or not they deliver to our fluid milk section. Our surplus, the amount of milk that we do not use at our plant for city use, is about 30 per cent, and we settle for that surplus—that 30 per cent—by paying the butterfat price for that surplus. Now there is where I think the greatest "hardship" shall I say, exists in the minds of our shippers to-day. I think this will be rather startling to you. We pay for that surplus on butterfat prices—I presume these payments are the averages for each month, because the producers are paid twice a month—now, here is what 100 pounds of 3.5 milk, paid for on butterfat prices, would bring in the month of July for the past four years: In 1929 the July prices for butterfat, special grade, was 35 cents—100 lbs., of 3.5 per cent milk would bring \$1.22½ cents; a year later, in 1930, the butterfat price for special grade butterfat in July was 25 cents, and a hundred pounds of milk was worth \$.87½; in 1931 our butterfat price for that month for special grade was 16.4 cents, and 100 pounds of milk on butterfat basis was worth 57.4 cents; and last July—

By Mr. Bouchard:

Q. When you say butterfat do you mean milk butter?—A. No, butterfat bought in our milk department for churning into butter. We have three grades, special, number one and number two. Last July, 1932, the best grade of cream supplied to our creameries in the month of July brought 10.4 cents a pound, and 100 pounds of milk was worth 36.4 cents.

Q. How do you explain that, the price of butterfat was never as low as that?—A. I only wish, Mr. Chairman, that this committee were investigating that phase of the industry which is affecting the Western Provinces; and without taking your time I would like to file with the committee our average monthly prices for special grade cream for each month for the years 1926, 1927, 1928, 1929, 1930, 1931 and 1932. It is rather astounding that in April of last year we received 16 cents; May, June and July, when our flush of production was on and we were told that a lot of butter would be exported—when only 1 pound out of 40 was exported—that one pound set the price for the other 39; or of our entire production during that period, some 125,000,000 pounds of butter, only 3,000,000 pounds were exported. Our cream prices fell to 12½ cents in May,

11.2 cents in June, and 10.4 cents in July. In August it came back to 15 cents; September back to 17.4 cents, and it remained on that level until the end of the year.

There is the problem, as I see it, affecting the fluid milk producer. In the summer time he gets a tremendously low price over the full amount of the surplus; and he feels that it is not fair, that there is something wrong; and I think there is.

Now, what do we sell our milk for? Milk is selling in Edmonton by all distributors at ten tickets for a dollar, or ten cents a quart, delivered to the consumer. I may say that since we have entered the business of distributing our own milk to the consumers of Edmonton we have I think had very happy relations with the two private distributors in the city. There has been nothing that could be classed as a price war in Edmonton, I think, since we have been in business. We are trying to work together for the common interest of our producers. I presume that what you would like to know is, what amount of that is returned to our members. Well $1.80 per hundred is the present basic price, for the fluid milk delivered. Taking 38·9 quarts to the hundred pounds that would be 4·6 cents per quart. Now, the difference is 5·4 cents; but that is not our real spread.

Q. Yes.—A. There is a second payment to be made, and the operation for the fourteen months ending the past year showed a surplus for the milk department of $6,208.49, I have made an estimate. I would have had this accurately if I had known more about what might have been expected or what the committee really wanted; but I have estimated roughly 3,000,000 pounds of milk during that period went through the plant the profits on which represent about 20.7 cents a hundred or about half a cent a quart, the final payment.

Q. That makes 5 cents a quart?—A. About 5·1.

By Mr. Pickel:

Q. That would be about a 50-50 division?—A. A 50-50 division; that is about what it is; and, of course, the investment in a milk plant is very heavy as you know, and we are taking most of that and crediting it to the member as his payment on the capital we borrowed from the bank. I do not know exactly the interest we pay the bank but the government guarantee does not mean that we get interest any cheaper than our competitors. We deal with the bank, not with the government.

By Mr. Bouchard:

Q. You are building up something that will be less and less costly?—A. Yes. We pay the regular interest that our competitors pay the bank for the money they borrow. The point I would like to make now is that of the 5 cent cost of distributing our milk I think about 3 cents of that could be charged to the cost of delivering the milk after it is pasteurized and bottled to the consumer's door. Of course, you have heard a great deal about price wars and chain store competition in other cities and when the chain store reduces its price 2, 3 or even more cents per quart a certain volume is deflected from the milk wagons to the stores and the costs of delivering that milk increases as the volume is deflected from the milk wagons to the stores.

By the Chairman:

Q. What proportion, if any, of that milk is bulk milk?—A. not a great deal of our milk is sold—I presume you mean wholesale?

Q. Yes, wholesale?—A. Not a great percentage. I cannot give you the amount. We have few of what you might call substantial contracts with hospitals or large institutions.

Q. That would affect the price, of course?—A. Yes; We sell to the stores for $8\frac{1}{2}$ cents a quart. These prices, I believe, are uniform among the three distributors.

Now, regarding the chain store situation, I am very happy to say that we have not had that situation menace our organization in Edmonton. It threatened—I think, to some extent it has existed in the city of Calgary—it threatened to break out in Edmonton and our government warned those involved that they were prepared to pass public utility legislation that would place milk as a public utility under the control of our Public Utility Commissioners, somewhat similar to the Winnipeg situation. From that day on we have had no trouble. I am able to tell you that our stores on the whole—there may be an odd isolated exception—are charging the same price to the consumer as we charge from the wagons—10 cents a quart.

Q. Of course, you have the authority in your province to declare milk a public utility?—A. Yes. Have you dealt with that, Mr. Chairman?

Q. No.—A. I would like to file with you, after referring to it briefly, a copy of our legislation known as the Public Utilities Act with the amendments that were passed recently in our legislature. A synopsis of what this Act involves might be summed up as follows: "The purpose of this Bill is to give the Board of Public Utilities Commissioners power to make enquiries into matters relating to the production, handling and distribution of milk, if it appears to the board that the milk supply in any part of the province is likely to be interrupted or impaired in quality to any extent affecting the public health or convenience, it may make regulations, and particularly prescribe the area or areas affected by any regulation, provide for the supervision of the production and sale of milk and all operations incidental thereto; license milk dealers; regulate the production, reception, handling, storing, and delivery of milk; classify milk producers, distributors and dealers; and establish schedules of prices."

Q. Now, who takes the initiative to make milk a public utility? Is it the board or the government?—A. "The board shall have jurisdiction upon its own initiative or upon complaint in writing to inquire into any matter relating to the production, supply, distribution or sale of milk."

Q. It is the board itself?—A. The board itself; or it may come about by the initiative of someone making complaint to the board.

By Mr. Tummon:

Q. It really is under the board?—A. Yes, it is. And the fact that this exists on the statute books and may be put into effect any day is one reason why I think we are not likely to have the trouble that other places have had. I hope it shall never be put into effect, but it is there for our protection if it is required. I would be glad to file with the committee all the amendments we made to the Bill at our recent session. Now, that is the exact Bill as it stands. Now, Mr. Chairman, I am afraid I have continued long enough.

By Mr. Bouchard:

Q. Who would require the application of this legislation?—A. Who would require it? Who would ask for it?

Mr. Tummon: The producers or anybody?

Witness: I would presume that if chain stores commenced to sell milk for 5 cents a quart, both our producers' organization—private distributors and our own association would wait upon the Board of Public Utility Commissioners or send a petition to them. They would first investigate, and if they deem it necessary, act according to the legislation.

By Mr. Moore:

Q. Did they have any difficulty in getting that through the legislature?—A. Not a great deal. The amendments that were proposed were such that I think it brought about satisfaction to all sides of the house.

By Mr. Bouchard:

Q. For instance, is it any inducement to the producer of milk to increase the butterfat of his herd according to the prices that are paid to-day?—A. I would answer that by saying that most of the herds in our district produce an average of about 3·6 butterfat. If there were any inducement why I think you would find the average milk coming in of a higher test than the average that we buy. I do not think there is any indication that there is a tendency of producers to tamper with the butterfat content of the milk.

Q. Nor to decrease it?—A. Naturally, not decrease it. They lose 5 cents a point under 3·6

Q. The point I want to make is this: if there is any inducement to increase or decrease it what will regulate it? For instance, somebody might take a little cream out of his milk or add cream to it; how could you prevent that?—A. Of course, we can prevent that. By the terms of our agreement we can demand that our producers deliver a milk of a certain range of test.

By Mr. Vallance:

Q. Between?—A. And that it shall not be tampered with. It must come as it is from the cow. We can regulate that in our organization. We control the members.

Q. Would not you in your control say it shall not be below or above certain precentages of butterfat?—A. Of course, we have not found it necessary. It could be done.

By Mr. Pickel:

Q. You receive a 3·3 milk or a 3·9 milk, and you pay accordingly?—A. Quite.

By Mr. Bouchard:

Q. You have no case?—A. We have had no case of any of our members delivering milk that was not acceptable to our organization. I presume you mean the milk that might have been tampered with?

Q. Yes.—A. No. We have not had a case of any member.

By the Chairman:

Q. Is there anything objectionable about a farmer, for instance, adding a certain amount of cream to his milk to bring it up to a reasonable standpoint?—A. I would say that what is being done in some cases—for instance, a farmer has a herd of holsteins that test a little low; he may take on three or four jerseys and bring his test up. That is the way it is done.

Mr. Vallance: There are some in this province that cannot come up to the requirements in butterfat; I know them.

The Witness: I know some of our members do that; they keep a few jerseys.

Mr. Vallance: All you have to do is travel between Montreal and Ottawa and watch the herds and you will see mixed herds of holsteins and ayrshires. What for? To step up the milk; one to give the volume and the other butterfat.

Mr. Tummon: You cannot tell by going on a train what butterfat a cow will give.

By Mr. Bouchard:

Q. That is why I am so insistent upon this point. It is an admitted principle, I think, in the livestock system that a man will try to increase as much as possible the butterfat content of the milk. Now, if your organization is built up so as to give an inducement to the farmers who are always working to improve their herds by selection and so on, I think it would be much more reasonable?—A. You would agree that the 5 cent premium for each one-tenth of 1 per cent increase in the butterfat content would be an inducement.

Q. Whatever percentage is paid. So long as you pay something reasonable that would induce farmers to have as rich milk as they can get, so he would improve his herd all the time, rather than, as we have had evidence with some other companies, not paying any heed to that with the result that the farmers become rather indifferent to this condition, and perhaps afer ten generations of calves they will have to rebuild all their stock. That is why I insist on this point that some consideration should be given to the farmers who have always improved the quality of their milk and the quality of the butterfat content in it?—A. In our method we are taking into consideration that point, are we not?

Q. Yes. I think you do it properly.

By the Chairman:

Q. I want to ask you a question. I do not know whether you can answer it or not. I suppose labour costs enter very materially into the price and the cost and the spread, do they not? Labour costs within your organization?—A. I would say that our labour costs are very low on account of the tremendous butter volume we handle. We take men from the butter department for an hour or two hours or three hours a day into the milk department, and their hours spent in the milk department, I think, are such that we have very efficient working arrangements and our labour costs are about as low as you can get them.

Q. What I was trying to get at was this: do your labour costs within your organization bear any comparison or have any relation to the labour costs on those farms that are producing this high-class milk?—A. The labour costs in our plant, I think, are quite reasonable. I would have to give you the various costs—the different types of labour so that you could compare that with some others you have.

Q. We have a brief that was sent in this morning by the Amalgamated Association of your province?—A. That is of B.C.

Q. No. Alberta. You were not here at the time that was read, and I do not think I mentioned it to you; but they say that labour must be paid for at a higher rate on the farms that are producing fluid milk than ordinary farm labour. I was wondering if you keep your labour costs within your organization anywhere on a par with the labour costs of the farmer who is producing this milk?—A. Oh, well, of course naturally the labour costs of the factory are on quite a different level to the labour costs of the farmer.

Q. Why should that be?—A. It is unfortunate that the farmer takes what is left, and he may not get even interest rates on investment, whereas in a business even that is co-operatively run, we do pay interest, depreciation, and all the legitimate charges; but the farmer cannot do all that.

By Mr. Pickel:

Q. Do your figures take into account the results of butter and poultry feature?—A. Yes.

Q. Do you manufacture milk powder or evaporated milk?—A. No, we manufacture principally butter. We received during this 14 month period, 1,330,540 pounds of butterfat and made that into 1,644,444 pounds of butter.

Q. How about cheese?—A. We make no cheese.

By Mr. Bouchard:

Q. What about skim milk and buttermilk?—A. Our skim milk and our buttermilk, mostly buttermilk in our case, because we are particularly a creamery, is put in a huge tank, and our members who live close to Edmonton raising hogs buy it. The price has varied. I cannot tell you exactly what it is, but a nominal price, so much a hundred pounds for what they carry away, and that goes in as revenue.

By Mr. Pickel:

Q. They buy that?—A. Yes, for hog feed. We make no cheese.

By Mr. Tummon:

Q. But your entire cost of operating your plant is divided pro rata amongst the different things that you put out, such as fluid milk, butter and such like?—A. Yes. Take our dividends last year, our final payments, if you like. Our butter department had $18,015.79, and our milk department $6,208.49. Now, the icre cream department made a profit of $8,069.72. I have not the details of how the audit was made, but I know a percentage of the profit of ice cream was credited to the milk department, and the remaining charged to the butter, depending on how the contributions came from the two groups of producers.

By Mr. Lucas:

Q. How is that milk paid for that you turn into ice cream?—A. That comes from the surplus. That maybe is why we earn a fairly large profit; but I may say we only have one small ice cream unit. We do not make a great deal.

By Mr. Pickel:

Q. What about your sweet cream sale? Where do you get it, by separating it out of the surplus?—A. We took into our organization when we started, a few table cream shippers from the Millet district, and they have supplied the table cream for the organization, and it has been kept separate. They are like a third section.

Q. So you do not separate any of the surplus milk for sweet cream?—A. No, we do not separate anything except the surplus of 30 per cent from our fluid milk shippers.

By the Chairman:

Q. I do not want to embarrass you, Mr. Love, but the reason I asked you that question in regard to labour costs is this: some recommendations have been made——A. May I see them?

Q. Yes.—A. I am sorry I was not here when that was read, but it represents the fluid milk producers who are not in our organization. They are organized and they have made their presentation. I am sorry I was not here.

Q. The reason I asked that was this: it says here that an effort should be made to place the production of fluid milk on a cost plus basis?—A. Yes.

Q. Labour costs and other things enter into the cost of production. I was wondering if it were possible to keep your labour costs within your organization?—A. To make it possible?

Q. Yes. And on a par?—A. I would say it is impossible unless our organization can make an agreement with other distributors and obtain a pasteurization by-law so that no raw milk could be peddled, and the consumers would stand the increase which would be necessary to pay our producers on a cost plus basis.

Q. Do you think the prices you are paying for fluid milk to-day are on a cost basis?—A. I do not think they are. I think, as I said before, the reason that request was made, is not so much on account of the basic price paid, but

you will find that in some of the organizations some of these men ship nearly 50 per cent surplus, and that surplus is bringing such a ridiculously low prices, that the average they get for 100 pounds of milk is very low. I think that is the reason. I think they have a very just claim to ask for a much larger return than they are getting, owing to the rquirements that now are made on fluid milk producers to invest in up-to-date sanitary equipment, and maintain their herds in a modern way.

By Mr. Bouchard:

Q. You make no difference at all in the price of mlik in summer and winter?—A. We find that when the volume in the spring increases greatly, and the volume that is being distributed to a great extent by those independent distributors, is being sold at a cent less a quart, we are forced to get on a 9 cent basis, and when that time comes, our producers may have a 40 or 35 cent reduction in their basic price. That has not happened this year. I do not know whether it may be forced into effect or not. Last year it necessitated the 9 cent price, and about $1.45 for basic milk; but we are still operating on $1.80 and 10 cent a quart basis.

Q. You pay $1.80 irrespective of the season of the year?—A. We are paying it to-day, but may be next month it will have to be changed. There is no definite date when it may be changed. Conditions bring changes about by competition and various other factors.

By the Chairman:

Q. There is another recommendation here, Mr. Love. It says: "The spread between the producer to consumer should be controlled." As a distributing organization, have you any objection to that?—A. No.

Q. That would be arbitrarily controlled by a public utility board or something of that nature?—A. Thinking now, apart from our particular organization, that is functioning as we feel in the best interests of our members, I think any one must realize two or three or four milk wagons going up a street is inefficient distribution, and if the city decided to make it a city utility, and distributed its own milk supply, from its own milk wagons, certainly a saving could be made, and that spread reduced. I think that is true.

Q. You would have no objection to that?—A. Not if the city wished to do it, we would have no objection to it.

By Mr. Coote:

Q. We might go back to a question that you yourself raised about the ridiculously low price paid for surplus milk.—A. Surplus milk.

Q. Yes. Are there not a lot of farmers in Alberta, as well as in other provinces, who live where they cannot sell whole milk, and are they not in the position of having to take that ridiculously low price you mention for all their production?—A. Absolutely.

Q. And would you not say that they are producing on a cost minus basis?—A. Absolutely. What is going to happen this year? I think Mr. Coote will bear me out in this. The hope that has to be extended to the producer is that the East will increase its cheese production and decrease its butter production so there will be no surplus for export. That is the hope. My feeling on what will likely happen in another month or two would be that we will find the new grass bringing on a great increase in production out through the west, and the man who is asked to take that butter and hold it for future requirements will find that he will have to finance it. When he is required to finance it, it will be financed likely on what it would bring on the export basis, and the moment the Montreal prices are reduced to the export basis, which actually happens

before anything is exported, our cream prices will be reduced in our province, Saskatchewan and Manitoba, to unprofitable levels and the calves will be called in to do the milking, and there won't be any dairying done until next fall, in many cases and very little done until next spring, and if conditions look good again, we will see many try to produce cream for butter purposes when the grass comes again. No farmer will produce butterfat at a loss except when he has a herd that he has pride in, and he feels, even at a loss, he is going to milk those cows and keep his herd and investment, hoping for a return of better times. The ordinary mixed farmer who brings in grade cows, dual purpose cows, is the man I have seen many a time who will let the calves do the milking when he thinks it will not pay. We cannot build up a dairy industry in western Canada unless some measure is designed that will prevent that one pound in forty, or 2 or 3 per cent or our surplus production that must be exported, from setting the entire price level for those months on our domestic market.

By Mr. Vallance:

Q. How are you going to do it? Have you any suggestion to make?—A. Well, I should not like to say anything at this moment. They are discussing it right now over in the producers' meeting in the hotel. There are many ways it could be done. I would advocate a dairy produce board that would be given authority to direct and regulate the industry to maintain stable price levels. I have never asked the federal government to spend one cent of its revenue to help the dairy industry. I have advocated for three or four years that the federal government should give us the legislation that would help us to solve our own problems. If we could have levied on our production throughout Canada—if that had been done last year, it would have required six cents on every hundred pounds of butter produced in Canada to have provided a four-cent bonus to take care of the loss on export, and thus have saved to the cream producers in Canada 4½ or 5 million dollars that was lost in purchasing power through the reduction of our price levels to the export levels during those three months.

By Mr. Taylor:

Q. Would you recommend a policy similar to the Patterson plan in Australia?—A. I am so anxious that something be done that I do not care what policy is adopted; but I am sure that one of two or three policies could be adopted.

By the Chairman:

Q. Let me ask a question right there. I realize we are getting a little away from the real object of the investigation at the moment. You say prices came down to 10 cents a pound?—A. We were paying ten cents for special grade butterfat in Alberta last summer.

Q. If you add four cents to that, would that appreciably help the situation? A. Four cents more on our price levels, during those three months, would have meant at least $4,500,000 more to our producers.

Q. But if you are producing under the cost of production, is that going to solve the problem?—A. We in the west want to be fair with the east, and if we ask for much more than four cents you people down here won't be making your cheese; you will be going into butter, and then we will wreck the whole industry.

We want only what we think is fair. We would like more, but we do not think it is fair to ask for it.

By Mr. Pickel:

Q. You think then, Mr. Love, that if the east would go into cheese more, and leave the butter operations to the west, it would assist the whole market? A. I think that would be the result, provided we had some sort of a dairy

produce board that would relieve the suspicion that would come into the minds of those who store butter that they would have to carry the loss on a little bit that might be exported. If that board could say, "We will have a fund that will provide for any loss that might be created," then the suspicion would be relieved, and we could maintain fair domestic prices.

Q. You see the analogy between the price that the consumer is paying to-day, 34 and 35 cents per pound for butter to-day— —A. How much?

Q. 34 and 35 cents to-day.—A. Do you know what we pay in Alberta?

Q. I don't know; 34 and 35 cents here last week for butter that the Commission men down in Montreal paid 15 and 16 cents for last summer.

Q. That was paid to the shippers?

Q. They have got a surplus price there, so as to put out next winter at a reduced price. One of those big creamery houses is making more money to-day than all the farmers in my whole district, three counties.

Mr. BOUCHARD: To make up for their losses in the past.

Mr. PICKEL: That may be, but it should be regulated, and the government has got the power to do it.

By Mr. Coote:

Q. Could you tell us what they are paying for butterfat in Alberta?—A. When I left, the price of butterfat was 17, 15 and 12; 17 for special grade. I might say that I think you asked a question about the pound butterfat price last July. It was 10 cents for special, eight cents for No. 1, and five cents a pound for No. 2.

Q. Does that mean sweet cream?—A. Sweet cream—special grade.

By Mr. Vallance:

Q. What is butter in Edmonton to-day? What is butter retailing at?—A. I can only say that when I left Edmonton, butter was retailing around 22, 23 cents.

Q. Dairy butter in Saskatchewan is selling at eight cents to-day, dairy butter; and eggs at five cents a dozen.

Mr. PICKEL: Retail?

Mr. VALLANCE: Retail, yes.

By Mr. Shaver:

Q. What is the average number of milch cows owned by your 3,000 farmers?—A. I could not tell you. I could not answer that. I might say in answer to that, to give you some idea, if you would take the 3,000 members and divide the 1,330,000 pounds of butterfat, you can get an idea of the amount of butterfat, and divide that by the average butterfat per cow, and you can get an idea. I don't know what it would work out to. But the relation of this butter question to the milk question is the fact that it sets the price of the surplus; and that ridiculously low surplus paid to a man who has put a big investment in sanitary equipment and in expensive cows, is the most discouraging factor he is up against. During a period of depression he is trying to make ends meet. He is perhaps producing more milk just to meet his obligations, and his surplus is greater, and he is taking a real loss on that surplus based on butterfat prices.

By Mr. Bouchard:

Q. Is the surplus milk apportioned to the quantity of milk delivered?—A. Yes.

By the Chairman:

Q. Don't you think it goes further than that, Mr. Love, that if the premiums were too great between fluid milk and milk that is used for butter, that it will have the tendency to draw more in and reduce the price of fluid milk?—A. Oh, it does, yes. There has been many a farmer move in close to the city of Edmonton and Calgary in the last few years, sell out a quarter or a half section of land, and get 60 or 80 acres in close, with the hope of getting in on the fluid milk market.

By Mr. Bouchard:

Q. Are not you of the opinion that if legislation were more and more severe, inspection, to get away from pasteurization and deliver proper milk, the real milk, that the consumer will pay less, we will get a better article, and the producer will get a little more and the spread between the price of fluid milk and the price of surplus milk would not be so high?—A. I am sorry, I missed the first part of your question through the squeaking of the door. Would you mind repeating it?

Q. Well, my point is this, that to-day instead of spending so much money for building up big plants in order to pasteurize milk, instead of that, if we were to make regulations more and more severe for the producers of milk, so as to be sure to get proper, clean and natural milk, that would decrease the spread between the producers and the consumers, and at the same time encourage very much the consumption of milk, and it will give an amount of recognition to the farmers for his ability to produce real milk, the real article. Instead of that, to-day we are not severe enough, we accept any kind of milk, with certain regulations more or less slackly or loosely applied, and in order to cure it, we have to pasteurize that milk as an emergency measure, for instance. Don't you think we would improve the condition of the consumers and producers of milk if we were directing all our efforts towards the production of pure, unpasteurized and sanitary milk?—A. No, I would not advocate that. I think the cost to the fluid milk producer, in living up to the present regulations, are quite high and require a much greater expenditure to operate his dairy than a few years ago. He is doing that to meet the requirements of the health departments. He is being checked by the larger distributors, by a careful analysis of every shipment of milk, while the small fellow who will get a licence, puts his milk in his bottles and sells for what he can get. He often takes a lower price, and that holds the price down for all concerned. If you could eliminate the small fellow who often undersells the regular distributor who is trying to give the best and most sanitary and highest quality of product to the consumer, you would eliminate the difficulty of meeting that competition. That competition holds down the price to-day.

By Mr. Pickel:

Q. Have you any idea of the cost of pasteurization alone?—A. Well, I mentioned that the cost of delivery of our milk after it is bottled is about three cents a quart. The cost of handling, pasteurizing, bottling, cooling, etc., runs a little over two cents.

Q. Well, pasteurizing alone, that would be—A. I have not that separate.

Q. It would be a small item?—A. Quite small.

Q. It would not be five or six cents a gollon?—A. No, I would not think so.

By Mr. Lucas:

Q. It is compulsory in Edmonton?—A. No, it is not compulsory in Edmonton. If we have compulsory pasteurization, we would eliminate the small peddler who sell raw milk on the street. You have had explained to you what the

Saskatoon situation is, what they have done, but I do not think it would be a permanent solution, because as Mr. Gooding said, the consumers would perhaps at some election, elect aldermen who would rescind the by-law, and the whole thing would be in chaos again.

By Mr. Tummon:

Q. In the pasteurization, is there much loss by evaporation or such like?—A. I personally do not think there is very much, but I am not a technical man.

Q. We had evidence before this committee here that there was approximately a loss of two quarts out of each can?—A. I could not give you any information on that.

Q. That would be high, would you not think so?—A. I would think so.

Mr. PORTEOUS: Two quarts in each eight gallon can.

The WITNESS: I am not qualified to answer technical questions of operation.

Mr. BOUCHARD: That point that I as making is that we should make the regulations more and more severe, I think, and there should be provincial regulations upon the traffic of the small peddler who has not the best quality of milk.

The CHAIRMAN: Any further questions, gentlemen? Are you ready to release Mr. Love?

(Carried)

Thank you, Mr. Love.

The witness retired.

The CHAIRMAN: Now, so far as I know, the business of the committee is over for to-day. There is a telegram here for Professor Grant from the chairman of the Public Utility Commission in Winnipeg, that I think should be read. I am going to ask the clerk to read it.

The CLERK: (Reading):

WINNIPEG, MAN., April 20, 1933.

Professor H. C. GRANT,
Chateau Laurier, Ottawa.

Peddlers included in price control that is ten cents quart delivered stop All orders substantially enforced stop Found it advisable ignore sales in outlying and poorer parts of urban area at twelve quarts for dollar stop In general interpret order as fixing minimum eight cents maximum ten cents stop Peddlers not asked to bear any cost of administration but plan levy upon them in near future.

W. R. COTTINGHAM,
Chairman Municipal and Public Utility Board.

The CHAIRMAN: You will remember that yesterday there was some question in Professor Grant's evidence about the milk peddlers being controlled by the public utilities board. I think that is clarified by this telegram.

The committee adjourned at 5.00 p.m. to meet on Monday, April 24, at 3.30 p.m.

APPENDIX "B"

NORTHERN ALBERTA DAIRY POOL, LIMITED

AGREEMENT

This Agreement made this day of A.D., 19

Between Northern Alberta Dairy Pool Limited, a body corporate, formed under the Co-Operative Marketing Associations Act, with Head Office at the City of Edmonton in the Province of Alberta, hereinafter called "The Pool" of the First Part, and The Undersigned, a person concerned in the production of milk or cream, in the Province of Alberta, hereinafter called "The Producer," of the Second Part.

Whereas the Pool has been formed for the purpose of processing and marketing collectively and on the Co-operative plan, the dairy products of its individual members and the products thereof and for such purpose is required to provide and maintain the necessary and adequate facilities for the proper conduct of such business;

Whereas the Producer desires to co-operate with others concerned in the production of dairy products and in the processing and marketing of the same or any produce thereof; and receives certain benefits in the collective assembling, pooling and marketing of his dairy products the facilities of the Pool; and is desirous of becoming a member of the Pool;

Now this agreement witnesseth that in consideration of the premises and the covenants and agreements on the part of the Pool as hereinafter set forth and the execution of this Agreement or one in similar terms by other producers of dairy products in the said Province, and in consideration of the mutual obligations herein set forth, it is hereby agreed by and between the parties hereto as follows:

1. The Producer covenants and agrees to deliver to the Pool or its order as it may direct, and at such loading station or platform or other place as may be designated by the Pool for and during the term of five (5) years from and after the date of this Agreement, all milk and (or) cream produced on the farms owned, operated or controlled by or for him within the area comprised by the Pool or acquired by him either as milk or cream, save and except only such milk or cream as he may desire to use for his own or family use or stock feeding purposes, or to sell by retail to consumers in the neighbourhood in which the Producer's farm is situate.

2. The Producer agrees to deliver the said milk and (or) cream as aforesaid in a good marketable condition and in compliance with any rules and regulations made from time to time by the Pool and subject to any laws of the Province of Alberta applicable thereto.

3. The Pool agrees, subject to the provisions of this contract, to act as agent, factor, mercantile agent and attorney in fact for the Producer and, in its discretion, to receive, take delivery of, handle, mix, manufacture into butter or cheese or milk products, store, transport, market, sell or otherwise dispose of the milk and (or) cream delivered to it by the Producer under this Agreement or any product or by-product thereof.

4. The Pool will, whenever possible, in its discretion, take delivery of the said milk and (or) cream at the delivery point most convenient to the Producer.

5. The Producer expressly covenants and agrees that he will not sell or otherwise dispose of any of the milk and (or) cream which he is under contract to deliver to the Pool pursuant to clause one hereof to any person, firm or corporation other than the Pool at any time during the life of this contract.

6. The Producer hereby appoints the Pool his sole and exclusive agent, factor and mercantile agent within the meaning of the "Factor's Act" of the Province of Alberta, with full power and authority in its own name, in the name of the Producer or otherwise to transact such business and take such action as may be necessary, incidental or convenient for the accomplishment thereof, coupling such appointment with a direct financial interest as common agent and attorney in fact of Producers hereunder and without power of revocation for the term thereof:

(*a*) To receive and take delivery of the milk and (or) cream delivered to it by the Producer; to handle, transport and market all or any part thereof as fluid milk products or by-products, all within its discretion and in whatever way and at such time and place as the Pool shall, in its judgment, determine to be to the best advantage of all the Producers who have signed this Agreement or an Agreement similar in terms.

(*b*) To mingle any milk or cream delivered by the Producer with milk or cream delivered to the Pool by other Producers.

(*c*) To make regulations establishing grade standards and to grade and classify any and all milk delivered to it by the Producer in accordance with such grade standards, it being understood that the "Dairymen's Act" of the Province of Alberta and the regulations made thereunder for the time being in force shall govern the grading of all cream delivered to the Pool by the Producer.

(*d*) To borrow money in the name of the Pool and on its own account on the milk and (or) cream delivered to it by the Producer or on any warehouse, storage, or other receipt, or on any draft, bills of lading, bills of exchange, notes or acceptances, orders, or on any commercial paper delivered therefor and to exercise all rights of ownership without limitation, and to mortgage or pledge in its name and on its own account, such milk and (or) cream and any warehouse, storage or other receipt, bills of lading, bills of exchange, notes or acceptances, orders or any commercial paper as security therefor.

(*e*) To acquire by purchase, lease or otherwise, and to own, sell, lease, construct, hold, operate, maintain, manage and dispose of warehouses, cold storage and refrigerator plants, creameries, factories, packing plants and machinery and plant for the manufacture of artificial ice.

(*f*) To prosecute or settle any and all claims for damages or otherwise which may occur in connection with the handling of Producers' milk and (or) cream during transit or otherwise or that may arise in connection with the exercise of any of the powers of authority herein granted and for that purpose to do all things necessary or incidental thereto.

(*g*) Generally to exercise all powers and do all things which the Pool is authorized to do by the Memorandum or Articles of Association.

7. Fluid cream and milk shall be pooled separately.

8. The Producer agrees that the milk and (or) cream will be produced, kept and delivered under sanitary conditions and that the Pool shall have the right to reject any milk or cream not conforming to its standards. The Pool shall also have the right, through its Directors or other representatives, at any time to inspect the cows, stables and milk houses of the Producer.

9. The Pool reserves the right to notify and require the Producer from time to time and, in the absolute discretion of the Pool, to deliver his product to the Pool either as cream or fluid milk or in a designated percentage of each, and the Producer covenants and agrees to deliver his milk and (or) cream in accordance with such notice and requirement.

10. The Producer hereby agrees that the Pool shall have the right to deduct a sum not exceeding two (2) cents per pound of butterfat and in the case of all other products, six per cent (6%) of the value of the finished product for the purposes of establishing a reserve. The Producer agrees that his interest in the reserve shall be at all times governed by the following regulations which are expressly made a part of this contract; namely,—

(a) The funds accumulated by virtue of the deductions herein authorized, shall be at the absolute discretion of the Directors for the purposes of purchasing additional plant and equipment and to be used as a Sinking Fund and to be used as a liquidated cash reserve or in any other way suitable to the handling and disposition of a commercial reserve.

(b) The Pool shall annually, at the close of its financial year, issue to the Producer a reserve share certificate which shall have no face value and shall only be evidence of the fact that the Producer to whom it is issued has contributed to the Reserve the sum named in the certificate.

(c) Such reserve share certificate shall be redeemable only at the discretion of the Directors and at a value to be fixed by them and the Directors shall have power to declare a dividend or otherwise on the said reserve share certificate and to make any regulations with regard to a transfer of such certificate.

(d) On a voluntary winding up of affairs of the Pool, holders of reserve share certificates shall share in any assets to be distributed in the proportion which their several holdings of reserve share certificates bear to the total then outstanding of all such certificates.

(e) Upon the withdrawal, retirement or decease of any Producer, the Directors shall ascertain the value of the reserve share certificates held by such Producer at the time of his withdrawal, retirement or death by their making a valuation of the Reserve Fund and by ascertaining the proportions which such certificates bear to the total of all of the then outstanding certificates: and the value so ascertained shall be payable at such time or times, in such instalments and manner as the Directors may in their sole discretion determine.

11. The Producer covenants and agrees to pay an entrance fee of Two Dollars ($2) to defray the expenses of organization, to carry on field service and other educational work and other proper activities of the Pool, and a sum of not more than 50 cents per annum as a subscription to the official organ of the Pool. Provided that no entrance fee shall be payable if the Producer is at the date hereof a member in good standing of The Alberta Co-Operative Dairy Producers, Limited.

12. All testing and grading of cream shall be subject in all particulars to the provisions of the "Dairymen's Act" of the Province of Alberta and amendments thereto and regulations made thereunder; and all testing and grading of milk shall be subject in all particulars to the regulations of the Pool relative thereto and in force for the time being.

13. Inasmuch as the remedy at law would be inadequate and in as much as it is now, and ever will be, impracticable and extremely difficult to determine the actual damage resulting to the Pool should a Producer fail to deliver all of his milk or cream, as herein provided, the Producer hereby agrees to pay to the Pool for all milk and cream delivered, sold, consigned or marketed by or for him or withheld, other than in accordance with the terms hereof, the sum of ten cents (10c.) per pound butterfat for each pound sold or withheld

as liquidated damages for the breach of this Contract, all parties agreeing that this Agreement is one of a series depending for its true value upon the adherence of each and all contracting parties to each and all of the said Agreements.

14. The Producer agrees that, in the event of a breach by him of any material provision hereof, particularly as to delivery or marketing of any milk and (or) cream other than through the Pool, the Pool shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and other equitable relief, according to the terms of this Agreement; and the Pool and the Producer expressely agree that this Agreement is not a contract for personal services or demanding exceptional capacity or talents; and that this is a Contract of agency coupled with financial interest under special circumstances and conditions and that the Pool cannot go into the open markets and secure milk and (or) cream to replace any which the Producer may fail to deliver; and that this Contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

15. The Producer hereby authorizes the Pool to enter into any contract for such consideration and on such terms and conditions as it may deem advisable and profitable for the handling, transporting, grading, marketing, manufacturing or selling of milk or cream or the products or by-products thereof received by any Association already or hereafter organized in the Province of Alberta as a Co-operative Milk or Cream Marketing Association.

16. The Pool may establish selling, statistical or other agencies in any place in the world and the Pool may act in any of the businesses of the Pool through or by means of agents, brokers, sub-contractors or others.

17. This Contract shall be deemed to be renewed as between the parties at the expiration of the five year period for which it is made for a future period of five years, and similarly at the expiration of any subsequent period of five years for which it is so renewed unless either party gives to the other a notice in writing determining the contract at least six months prior to the last day of any such five year period and upon such notice being given this contract shall determine upon the expiration of the said period.

18. The Pool is hereby authorized to deduct the amount of the said entrance fee and any subscription payable by him pursuant to clause 11 of this Contract from any moneys due to him for milk, cream, or other dairy products sold through the Pool.

19. This Agreement shall be binding upon the Producer, his personal representatives, successors and assigns, during the period hereinbefore mentioned, as long as he produces milk and (or) cream, directly or indirectly, or has the legal right to exercise ownership or control of any part thereof or any interest therein, in the manner specified in clause one (1) hereof.

20. The Parties agree that there are no oral or other conditions, premises, covenants, representations or inducements in addition to or at variance with any of the terms hereof and that this Agreement represents the voluntary and clear understanding of both parties fully and completely.

In witness whereof the Producer has hereunto set his hand and seal and the Pool has hereunto affixed its seal under the hand of its proper officer in that behalf, the day and year first above written.

NORTHERN ALBERTA DAIRY POOL LIMITED.

Sealed and delivered and
countersigned by the President
in the presence of:

.... Per..............................
President.

Signed, sealed and delivered
in the presence of: [SEAL]
(Producer's Witness)

....

.... Producer's Signature.

Subscribing Producer's Full Name..............................
(Print this name)

Post Office Address..............................

Shipping Point..............................

PRICE COMPARISONS

Last summer in the month of July cream producers in Western Canada received less than one-third of the average July price received during the five years from 1926 to 1930. The average price paid to the Alberta cream producer for special grade butterfat during July, 1932, was 10·4 cents per pound.

AVERAGE MONTHLY PRICES PAID FOR SPECIAL BUTTERFAT IN ALBERTA

	1926	1927	1928	1929	1930	1931	1932
January	36.8	37.0	40.0	39.2	38.0	26.6	18.2
February	40.7	37.0	40.6	39.0	38.0	27.4	13.4
March	44.2	37.0	42.0	39.0	36.5	27.4	16.8
April	35.6	37.0	41.0	39.0	32.0	25.7	16.0
May	31.0	35.8	36.3	35.0	28.0	17.7	12.5
June	31.5	32.0	32.0	33.5	25.2	16.4	11.2
July	30.2	32.4	34.5	35.0	25.0	16.4	10.4
August	30.0	33.7	38.2	35.1	25.0	16.4	15.0
September	29.2	35.2	39.6	36.0	25.5	16.4	17.4
October	29.0	36.0	41.0	38.0	27.0	16.4	17.4
November	29.5	37.5	41.0	38.0	27.0	17.4	17.4
December	36.4	40.5	40.2	38.0	26.5	19.4	17.4

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, APRIL 24, 1933

No. 20

Reference,—Milk and Milk Products

WITNESSES:

Norman Spratt, President, Ottawa Valley Milk Producers' Association.

John Innes, Representative of Association Executive.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,
Monday, April 24, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard, Bowen, Boyes, Carmichael, Gobeil, Hay, Loucks, McGillis, Moore, Motherwell, Mullins, Pickel, Senn, Shaver, Simpson, Swanston, Weese, Wilson.

Norman Spratt, president of the Ottawa Valley Milk Producers' Association and John Innes, representative of the executive committee of the Association appeared and were duly sworn.

The witnesses read prepared statements and were examined at length by members of the committee.

Witnesses retired.

The meeting adjourned till Tuesday, April 25, at 10.30.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,

April 24, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn presiding.

The Chairman: Gentlemen, the clerk has a letter from Mr. Jones of the Ottawa Dairy which should be read into the record.

(Clerks reads):—

Ottawa, April 21, 1933.

Select Standing Committee
on Agriculture and Colonization,
House of Commons,
Ottawa.

Gentlemen,—Referring to the evidence which I gave before your committee on Wednesday, April 12th, in which I stated that some raw milk was being sold in the city of Ottawa, and to the statement with respect to the same subject which appears on page 611, lines 31 to 39, of the report of the meeting of your committee held Tuesday, April 18th, I wish to quote the following from the city By-law No. 6252:—

> No milk or cream shall be sold, offered for sale, or delivered for human consumption, by any person in the city of Ottawa, unless the same has been first "pasteurized," that is to say, has been treated as provided by Section 12 of The Milk Act (R.S.O. 1914, Ch. 221, s. 12). But it shall not be necessary to comply with the requirements of this section in the case of the sale, offering for sale sale or delivery of milk from cows that have been certified by a veterinary inspector not to re-act to the tuberculin injection, and which is free from chemical preservatives and disease producing organisms, and contains not more than 30,000 bacteria per cubic centimeter.

May I further state that I have this morning been in communication with the Ottawa Board of Health and am advised by them that six farmer distributors are selling raw milk in the city of Ottawa.

Yours very truly,

W. F. JONES,

General Manager.

Mr. Bertrand: Mr. Chairman, the other day we had evidence from the Ottawa Dairy, and as one of the members I was left to understand, whether I was wrong or not, that Ottawa Dairy were paying three different prices for their milk, known as association price, sweet milk price and surplus price. Since then I met one of the producers who is sending to the Ottawa Dairy, and he gave me one of his slips which I have, and we see from this slip that they are paying four prices; in fact, they are paying to this gentleman for a certain quantity as association price $1.40, which is claimed to be for fluid milk sold

on the street, and a certain quantity paid at $1.20 per hundred pounds which is claimed to be for fluid milk sold wholesale, and then a certain quantity paid at surplus price, and a still further quantity paid at sweet cream price. Consequently, I thought it was my duty to make the committee aware that they were paying on a four price basis rather than a three price basis.

Mr. Pickel: What Mr. Bertrand, is the cream price?

Mr. Bertrand: From this slip here, which is a recent one although I do not see the date on it, fluid milk to be sold on the street was paid at $1.40; fluid milk to be sold wholesale $1.20; surplus milk 66 cents, and sweet cream 73 cents per hundred pounds.

The Chairman: Gentlemen, we have with us this afternoon Mr. Norman Spratt, President of the Ottawa Milk Producers' Association. Will Mr. Spratt come forward please? I understand that he has with him Mr. Innes, the secretary of his organization, and if he is here it may be convenient for Mr. Spratt to have him up here with him.

Norman Spratt called and sworn.

By the Chairman:

Q. Will you give your name to the committee, and also state the position you occupy in the association?—A. My name is Norman Spratt, and I am president of the Ottawa Valley Milk Producers' Association.

Q. Proceed please, Mr. Spratt.

STATEMENT BY MR. SPRATT

It is very gratifying that the Government is considering the milk situation in Canada. It is something that the farmer has long looked forward to. It is also very essential that the public get the facts as they will in this investigation since it is not held behind closed doors. No doubt the first problem to be considered by the investigators will be the quality of the milk in the various cities. The producers of Ottawa district feel that they have a high quality of milk, otherwise they would not be in a position to demand a fair price for it.

QUALITY

The quality of Ottawa milk is controlled by very efficient Board of Health Officers, who we believe, are not excelled in any other city in Canada. The milk is carefully watched in going from the farm to the consumer; stables are thoroughly inspected at intervals during the year and all cattle supplying milk for human consumption must be T.B. tested. All milk on arriving in the city is subject to Metholine Blue test which controls the sweetness of the product. Pasteurization, while not compulsory is carried out, save in a very limited number of cases.

PRICE ARRANGEMENTS

Arrangements for the price are arrived at by an executive committee from our association sitting at intervals with the larger distributors, the smaller companies not always affiliating. Settlements are based on a gentleman's agreement. The difficulty we find is that the smaller companies, not affiliating, do not adhere to the settlement price and in some cases by this non-adherence the whole structure has been broken down. One case occurred last July when we were forced for a short period to accept 80 cents per hundred for contract milk.

ENLARGEMENT OF MILK SUPPLY AREA

In the course of the last two years smaller companies have been promoted by going out into purely cheese and butter-factory districts and selling stock at the rate of $200 per can of milk supplied. The milk from these districts has been finding its way into the city in competition with the city's regular supply, this operation going on for a short period of time to the detriment of the whole situation.

The stockholders, in some cases, not only lost their invested capital but several months' supply of milk along with it. The regular shipper also suffered considerable loss, owing to price cutting on the street and the excessively low tendering for the contract of some of our largest city institutions.

BONDING OF COMPANIES

In regard to this we would recommend, for the protection of the farmer, that all such companies should be bonded to the extent of six weeks' milk supply in order that the shipper would at least be protected for his product until settlement thereof is made.

RECENT CHANGE IN BASIS OF PAYMENT

Some few years ago, Ottawa milk was bought on the contract basis, a certain definite amount being allotted to each producer. This amount was based on his average production for three months which was usually taken in the fall of the previous year. This system stabilized an ample production of milk for the city consumption and worked very satisfactorily to all concerned. However owing to the increased competition from outside areas, which meant the flooding of our markets particularly in the summer months, the quantity of contract milk that could be disposed of at the higher price, was decreased. Out of necessity, the producer was forced to accept butter-and-cheese-factory prices for a large amount of his product which was produced under the regulations pertaining to milk produced for human consumption.

This has been further intensified until we are producing roughly 20 to 45 per cent (the amount varying in different companies) of our milk under these conditions.

The present price of milk to the producer is $1.40 for milk retailed to the householder; $1.20 for wholesale milk, and butterfat prices for the remainder. This milk is purchased under the Ontario Government regulation 3·4 basis for butterfat standard and a ·04 cent differential up or down. For instance one company paid the producer as follows:—

56 per cent of the milk at $1.40 a hundred.
14 per cent of the milk at $1.20 a hundred.
30 per cent of the milk at $ .79 a hundred.

Another company paid as follows:—

47 per cent of the milk at $1.40 a hundred.
29 per cent of the milk at $1.20 a hundred.
24 per cent of the milk at $ .79 a hundred.

We would like to state that we have no control over the quantities which shall be paid for at the higher retail price or at any other prices which enter into the agreement. Here surplus milk enters into the arrangement and to our mind surplus milk is the cause of our greatest trouble. In bygone days when butter sold in the region of ·50 cents per pound and $1.50 or more was paid for surplus milk, troubles were much more easily ironed out than under the present circumstances.

When a producer received his cheque with three different prices entered, and he finds that 35 per cent of his total supply was sold at the smallest price, namely that of the surplus milk or somewhere in the region of 75 cents per cwt., the first thought that enters his mind is: "Have I received my right proportion or is the company selling some of that cheap milk on the street?" Now the company's figures may be perfectly sound but there is cause for doubt and the result is lack of confidence between the producer and distributor.

Now we feel very strongly that there should be a return to the contract basis of payment, but if this system cannot be brought back then there should be an audit or check by a competent independent official to assure the producer that the price paid him is an a correct basis. If the producer were assured of this, a much more congenial feeling would exist between him and the company, and the company would prove that it was playing the game squarely.

SPREAD IN PRICES

With regard to the spread between the price paid the producer and that charged the consumer, I should like to state that as far back as 1914, Ottawa stood out prominently as having a very low spread. In fact, we were, at one time, about the lowest on the continent excepting the city of Milwaukee. At this particular time, there was one large company operating in the city with a few farmers marketing their own milk. The spread in 1914 was 3·5 cents.

By Mr. Bouchard:

Q. You mean four cents per quart?—A. Yes.

In 1920 we had two large companies operating with a few retail farmers delivering their own milk. The spread increased to 4·5 cents.

By 1930 we had 13 companies operating and we found the spread increased to 6·1 cents. In 1932 we reached the climax when we had in the city of Ottawa 56 different individual companies and farmer distributors delivering milk in the city. The farmers made the largest increase owing to many of them who live close to the city starting to deliver their own milk, the reason, of course, being the low price of ·80 cents per cwt. The spread in 1932 was 5·9 cents, the decrease being because of the large distributors dropping the retail price to ·08 cents per quart.

COST OF PRODUCTION

As to the cost of production, it is fairly difficult to arrive at an accurate basis since so many things enter into overhead. Mr. Innes will deal with this phase of the question in more detail. I may say however, that one could not find one hundred acres of land in the vicinity of Ottawa fit to produce milk with a lower taxation than $200. This figure increasing to $350 according to the area in which said farm is located. Now this amount of taxes along with reasonable repairs and necessary improvements on dairy farms, depreciation on dairy cattle, machinery and horses, when added to the cost of hired help and a reasonable living for the proprietor, his wife and family, present to the farmer a proposition that is practically impossible to cope with under present conditions. It is a sad condition to see some of the splendidly equipped farms in our locality being forced out of business because the total income derived from the production of milk is not in keeping with the obligations the owner is compelled to meet.

In order that the milk producer of Ottawa or any other city may be saved from nothing less than bankruptcy, we feel that there should be appointed a milk commission such as they have in Winnipeg.

I would just state here that in connection with the convention last week; and from Mr. Sargent, who gave evidence before this committee, I am very much impressed with the situation they have in Winnipeg.

Then, when an emergency arises, such as we had last summer, when the price of milk was going to be forced down to an extremely low level and the farmer loaded with the greater part of the drop, it shall be its duty to consider both sides of the case and see that the farmer gets a square deal.

Now gentlemen, this is all I have to say from my point of view. My colleague will go into the figures.

By Mr. Bouchard:

Q. When you referred to the spread between consumption and production —I think you gave the figures in 1914—was pasteurization in force at that time; and has pasteurization increased very much the spread between the producer and consumer?—A. Pasteurization was in force in 1914.

Q. It was in force?—A. Yes, it was in force; it was in force in 1914.

By Mr. Pickel:

Q. What is the price that the independent farmers are peddling their milk for in the city of Ottawa; what price do they get?—A. What price are they charging to the consumer?

Q. Yes, the farmers, those who come in and distribute their own milk?—A. What price are they charging to the consumers?

Q. Yes?—A. Well, by agreement with the distributors in the city, they are allowed to go one cent below for retail milk to the householder, and one cent for wholesale milk.

Q. You have no idea as to what proportion of this surplus is used for sweet cream; you had no idea about that?—A. No, I can't give you that.

Q. Just one more question, do the big companies in Ottawa all pay about the same prices? Do they seem to be pooled? Are they fellow-conspirators, really? Are they all pooled?—A. Well, I might state in answer to that that our association meets with the four larger companies in the city.

Q. And do they usually pay the same prices for distributing purposes, street sales, wholesale sales and surplus?—A. Yes.

By Mr. Bouchard:

Q. As I understand it, the great trouble is with the surplus. With the government, the trouble is lack of surplus, but with milk producers it is an excess of surplus. Have you any suggestion to offer as to how to give the farmer a square deal, as it is said, with regard to this surplus milk, or to re-establish confidence among the producers of milk? You are aware that it has been the trouble all over Canada, as far as the committee has been hearing recently. Have you any suggestion to offer as to a fair return on the surplus or a fair apportioning of the surplus?—A. Well, surplus milk,—competition seems to me to have increased the surplus; and the cheap price paid to the farmer in general brought milk from—competition came in much more keenly.

By the Chairman:

Q. Mr. Spratt, you said that the prices had been broken down largely by the entry of small companies into the business, didn't you?—A. Yes.

Q. Where do they get their milk?—A. From the outside areas.

Q. What do you mean by outside areas?—A. Well, I might state that the city of Ottawa is one city by itself; Montreal is very much the same. There is enough milk produved within twelve miles of Ottawa to supply the city of Ottawa.

Q. Fluid milk?—A. Fluid milk.

Q. There is no by-law or no provision made whereby shippers outside of that area are prohibited from shipping milk in?—A. No.

Q. Does your association control all the milk within that twelve-mile area?—A. I might say it does, except for the farmer-distributors within that area. There are a large number of farmer-distributors within the ten-mile limit.

Q. Of course, the man that is providing fluid milk alone or solely, or selling to the fluid milk market, is in a much better position than the man who is sending to the butter and cheese factory, is he not?—A. Well, that is just a matter—of course, the man selling fluid milk to the city of Ottawa, he has got to keep up a regular supply summer and winter. The man on the outside who has a cheese factory to attend to or can send his milk to the cheese factory, he depends on summer supply. His cows go dry in the fall, and he has not got to keep up a regular supply.

Q. If that were the more profitable method of handling milk, why should people want to enter the fluid market,—why should producers want to enter the fluid market? I think you will have to admit that the fluid market as it exists, even to-day, is a better proportion than sending milk to the butter or cheese factory?—A. Well, there is no question about it, the man who is selling fluid milk, he naturally will draw more money; but when it comes to a question just of profit, I just doubt it, because the man who is farther back from the city, the lower his taxes are and the less expense he has to meet.

By Mr. Loucks:

Q. We understand that the farmer,—that is the retailer or distributor, if you want to call him that—you said that he was permitted to sell one cent lower; is that by the quart?—A. Yes.

Q. What would that mean—probably eight cents a quart?—A. Nine.

Q. It would mean nine?—A. Yes.

By the Chairman:

Q. Who permits him?—A. Well, it is by agreement. The distributors, the four large distributors that we have agreements with were satisfied that the smaller man should sell at nine cents. This arrangement was arrived at in order to keep the smaller distributor up in price. If he would sell at nine cents, there would not be any kick coming.

Q. Well, as I understand your proposition, you are in favour of some such system as exists in Winnipeg where milk is under a public utilities commission. Do you think it is possible to regulate the flow of mik into the city of Ottawa or any other city, and bar out everybody after you have had a sufficient number sending to supply the market? I am just asking for the sake of getting information. We want your ideas as to what is the best way of handling this situation. How are you going to control your surplus milk and keep it out of the city?—A. Well, I agree with you, that that is hard to control, but I am strongly in favour of the public utilities board, because as I understand it they will control a fair price to the consumer and also a fair price to the producer.

Q. But I think you will admit this, that if companies are in operation here in the city, and they are obligated to pay so much to the producer, and sell at so much to the consumer, it is very possible that such a large supply of milk would be sent in to them that they could not handle it, is it not?—A. Yes, that is very true.

Q. You would have to regulate supply as well as regulate price, in that case, would you not?—A. Yes.

Q. What we want to get at is how you are going to regulate that supply,—that seems to be the most serious thing—without saying to one man: "You may send fluid milk into the city," and to the other man: "You may not." That is discrimination.—A. Well, I think if we could have a quota basis, that is a contract system of sending milk, and the regular producer really knew how much milk he was going to have to bring up, I think that that producer,—while it is not profitable to produce milk at a surplus price, that is the man close to the city, I think if the regular producer knew of just the amount of milk he had to produce for the coming year, I think it would largely get away from a large amount of the surplus milk.

Q. I agree with you, that a contract whereby the farmer has to send a constant supply the year around, seems to be the better way to handle that proposition. Now, another question I would like to ask you; you say that at the present milk prices it is impossible for the farmer to carry on, and I agree with you. What price for milk would be sufficient? Could you give us any idea of that, under present conditions—A. Well, it has been proven by figures that the cost of production is in the region of $1.50 per hundred, which is a fair—I think is a fair and reasonable cost of production. I think Mr. Innes can give you those figures when he gives you his paper; and I really think to-day that the farmer is not getting enough; that the local farmer close to the city, since his taxation is high, is not able to meet expenses.

By Mr. Pickel:

Q. Mr. Spratt, this $1.50 that you mentioned is at the farm?

Mr. Loucks: To the farmer; you suggested at the farm.

The Witness: To the farmer.

By Mr. Pickel:

Q. The cost of the production of milk would be $1.50 at the farm.

Mr. Loucks: Without transportation.

The Witness: Without transportation.

By the Chairman:

Q. I understand that in Ottawa you don't pay any transportation for milk that comes from within a certain distance of the city, is not that true?—A. Well, largely the companies lift a large amount of milk, but what milk they don't lift they pay five cents a can towards that milk. The producer makes his own arrangement with the trucks to get the milk in. One company operating in the city have no trucks whatever to lift milk. They pay five cents a can towards the cartage of the milk, and the producer makes his own arrangements; he pays the balance.

Q. You probably heard what Mr. Bertrand said about the four prices. You only named three prices. Are there four prices recognized by your association?—A. Yes.

Q. You only mentioned three, though.—A. Well, there is sweet cream comes into it, the sweet cream price, and I included the sweet cream and the surplus together.

Q. And made the average?—A. And made the average.

Q. Oh yes, I understand.

By Mr. Bouchard:

Q. What is the membership fee of your company? When was it organized, and how many members has it?

The CHAIRMAN: You mean "association."

Mr. BOUCHARD: Yes, association.

The WITNESS: Our association was reorganized in 1923.

By Mr. Mullins:

Q. What is your capital stock?—A. We have no stock.

Q. Just an association?—A. Just an association.

By Mr. Bouchard:

Q. What is the membership fee?—A. The membership fee is collected by agreement with the companies. We have a very low fee in Ottawa. They take one per cent of the cheque for one month's milk.

By the Chairman:

Q. And hand it over to the association?—A. And hand it over to the association.

Q. That is by mutual agreement?—A. That is by mutual agreement.

Q. Now, you say that you meet the four large companies and come to a gentleman's agreement. Have you any power to enforce your demands when you meet them?—A. No, none whatever, sir; just bargaining.

Q. You make the best bargain you can?—A. Make the best bargain available.

Q. Does the cost of production enter into the fixing of the price?—A. The ccst of production?

Q. Yes, do you consider that when you are fixing the price, mutually?—A. Well, it generally becomes part of the argument, sir.

Q. What is the basis on which the price is set, may I ask?—A. Well, when we meet, it is generally the company will—when prices drop on the street, competition enters; the price is being depressed on the street. We sit in and talk the matter over. There is generally a committee from our executive, and the matter is discussed from all angles, and we put up the best battle we can from our side.

Q. Now, you said surplus milk should be controlled in some way. You are not very clear as to the method. You also made the statement that the entry of a large number of smaller companies has had an effect on the price. Do you recommend or advocate a control of the number of companies, or the limiting of the number of companies that are distributing milk?—A. No, I would not say that sir, but I really think that companies starting should at least have a governing price to sell at.

Q. I understand you to say that prices have been dropping because of those smaller companies, and you went on to give statistics that the more companies entering into the distribution game, the greater the spread became?—A. Yes.

Q. You believe though, it is all right to allow as many companies as want to come in, smaller concerns, as long as they are financially able to carry on?—A. Well, I might state that up to now we have no regulations in Ottawa to stop them from coming in.

Q. I know you have not, but would you advocate such regulations? Do you think distribution could be carried on more economically with fewer companies properly equipped and carefully managed, than by open competition?—A. I think so, because there would be no overlapping on the street. The more companies there are in the city, there is no question about the more expensive the delivery becomes, because they overlap on the street. Naturally, each company, if it is of any size, will try to cover the city, and there is considerable overlapping at all times.

By Mr. Loucks:

Q. Would you say then, that you feel there should be a 50-50 break between the distributor and the producer? To start with, you know something about the cost of producing milk. I think the committee is pretty well convinced that it has not been in existence at all. Would you say, if it were curtailed, if milk was curtailed or prohibited, in regard to delivery by many companies, as you refer to, it be possible to have a greater volume and make it a 50-50 break between the farmer and the producer?

Mr. SHAVER: What do you mean?

By Mr. Loucks:

Q. Say milk is 10 cents a quart, the farmer gets 5, and the distributor 5 for delivering it to the consumer.—A. I think sir, that my statement would prove that in 1914 when there was one company delivering milk, the spread was only 3·5 at that time.

By Mr. Bouchard:

Q. What were the prices?—A. I have not got the prices for that far back.

By Mr. Shaver:

Q. I think you said there was one company in 1914. What company was that?—A. That was the Ottawa Dairy.

By Mr. Pickel:

Q. It was not Borden's then?—A. No.

By the Chairman:

Q. Was the price of the milk to the consumer any higher than it is to-day? —A. Well, it was not—we have not got the exact figures for that far back.

Q. Then you would say all the advantage of that went to the consumer rather than to the producer?—A. I think as near as I can recollect, that the price at that time was 8 cents to the consumer, and around about $2 to the farmer in the winter time.

By Mr. Pickel:

Q. You do not think a 50-50 break would be out of reason for the producer to receive?—A. I do not sir, for the fluid milk.

Q. Have you not a kind of an idea in the back of your head that you ought to get more for surplus than you do for whole milk, the surplus that they separate for sweet cream and make more money out of it than they do on the whole milk?—A. Well, I am not prepared to state, sir.

Q. It is my idea that you ought to get a 50-50 division on the whole milk, and 75 on the other. Keep up your fight for it and you are going to get it.

By Mr. Bouchard:

Q. I asked you previously how many members you had in your association? —A. About 580, sir.

Witness retired.

JOHN INNES called and sworn.

By the Chairman:

Q. Mr. Innes, you are the secretary of the Producers' Association?—A. No, probably I had better give you the reason I am here. Our association appointed a committee to lay some figures, or to make some representations to this committee, and on that committee, Mr. Spratt, the president, and myself were selected to present a statement from our association to you gentlemen; and those

statements that were given you have been approved by the committee. When you ask us our personal opinion, it may not be just in line with those statements, because they have been prepared to satisfy everybody. I have a statement, that with your permission, Mr. Chairman, I shall read.

Q. I shall ask you to speak out fairly loudly.—A. Yes.

> Mr. N. H. Spratt, President of the Ottawa Milk Producers Association has placed before you a statement touching on conditions generally in the Ottawa district. There are two or three aspects of the situation that I shall try to deal with briefly.
>
> 1. We believe that it is generally recognized that the price to the producer in this area is extremely low, lower probably than is generally known. The following is a table for 1931 and 1932.

I do not go back any farther than 1932, because that is when the break took place, and that is what we are dealing with here.

During January, February and March, the purchase price per hundredweight was $2.16 and the selling price per quart 12 cents—

By the Chairman:

Q. Let me get this right. Is that for the amount of milk sold as fluid milk?—A. Fluid milk.

Q. It does not take into account any other?—A. Just the fluid milk returns that were given to us. During those three months, the producer received $2.16 and the distributors sold the milk during that period for 12 cents a quart.

By Mr. Moore:

Q. Do you mean by that the producer received $2.16 for the whole of his milk that he sent?—A. For the amount of milk which they purchased from us.

Q. For the total?—A. Not for the total, oh no. I am dealing with what we got returns for, our wholesale milk. I will deal later on, with you permission, with the surplus but I just want to get those figures before you, because I want to deal with one factor in regard to price.

COMPARATIVE STATEMENT OF LOCAL PRICES FOR 1931 AND 1932

—	1931		1932		
	Purchase Price	Selling Price	Purchase Price		Selling Price
	per cwt.	per quart	per cwt.		per quart
			1st rate	2nd rate	
January	$2 16	$0 12	$1 40		$0 10
February	2 16	12	1 40		10
March	2 16	12	1 40		10
April	1 86	11	1 40		10
May	1 86	11	1 40		10
June	1 80	11	(1–12) 1 40	$0 80 (13–31)	10 $0 08
July	1 80	11	(1–12) 80	1 00 (12–31)	08
August	1 80	11	95		08
September	1 80	11	(1–15) 90	1 00 (15–30)	08
October	1 80	11	1 20	1 00	08 09
November	1 80	11	1 20	1 00	09
December	1 80	11	1 40	1 20	10

By Mr. Loucks:

Q. Will you give us now the amount that the farmer actually received?—A. This is his net returns, without counting his surplus. We are forgetting about the surplus at this time, but we shall take it up later. This is the net return. I want to get you back to what was the stated price for a stated amount of milk, and what we are supposed to get.

It is easily seen that the drop in prices has been rapid during the last two years, but conditions are much worse than the table shows. Let us consider the month of February, 1932, with a price of $1.40 per cwt. for 3·4 per cent milk and compare it with February, 1933, for 3·4 per cent milk. On a contract of 180 pounds a day for 28 days in 1932, it would be 180 × 28 = 5,040 pounds of milk at $1.40 per cwt. = $70.56—5,040 pounds of milk in February, 1933, would be paid for as follows.

By the Chairman:

Q. He pays his freight out of this, does he not?—A. Not if he is close to the city.

Q. Is that actual net to the farmer?—A. Those are figures taken off a statement.

Q. Does he pay freight out of that?—A. No, not if he is within a radius of 12 miles of the city of Ottawa. He has to take it in one day a week, but that is all he contributes to it.

TABLE FOR 3·4% MILK ONLY, FEBRUARY, 1933

2,298 pounds of retail milk at $1.40 per cwt.	$32 17
1,532 pounds of wholesale milk at $1.20 per cwt.	18 38
532 pounds of sweet-cream milk at 78·2 cents per cwt.	4 16
678 pounds of surplus milk at 71·4 cents per cwt.	4 84
5,040 Total	$59 55
Decreased return for 1933	11 01
	$70 56

By Mr. Bouchard:

Q. Do you mean a loss or difference compared with last year?—A. Difference; in other words, the way they were buying their milk under $1.40 a hundred this year, meant a decrease of 11·01 in the returns.

By Mr. Pickel:

Q. For the same quantity of milk?—A. The same quantity of milk.

In 1933 price works out at $1.18 per cwt. or 15·6 per cent less than February, 1932. Thus it will be seen that the producer under the various rates of payment in 1932 has been forced to take a substantial cut.

By the Chairman:

Q. What is the cause of the increase; is it due to larger supplies or less consumption?—A. I cannot tell. I know this, the producers are not producing as much.

Q. Are you trying to tell the committee then, that the companies are taking undue advantage of it?—A. Well, I do not know what I am trying to tell the committee, but personally I am absolutely sure of it.

By Mr. Loucks:

Q. Can you tell us just how that loss affects the consumer? Would the price to the consumer be practically the same. You cannot tell us the difference, or is there a difference?—A. There is no difference in the price—the same price.

By Mr. Pickel:

Q. Are you a producer?—A. Yes, sir.

Q. Have you any idea of the cost of production?—A. Well, no. I do not keep any figures. I have some figures here later. They are only brief and sketchy. I will give them to you.

> Let us compare the relative prices of February, 1931, and February, 1933. The producer quoted above dropped from $2.16 a cwt. to $1.18, a decrease of 45·3 per cent. The distributor dropped from 12 cents a quart to 10 cents on street sales, a decrease of 16·6 per cent. Had the decrease on the distributor been proportionate to the producers', milk to-day would be retailing at approximately 06·5 cents a quart.

In other words, if the distributors had to operate on the small return of the producers, milk would have been selling at 6½ cents a quart to-day in Ottawa.

COST OF PRODUCTION

> Cost of production varies so greatly that it is hard to get an average cost, but I shall give you the cost in one herd that I believe is fairly general. A herd of 35 cows, 31 milking producing 760 pounds of milk daily, a daily average of 21·71 pounds per cow or 7,814 pounds per cow per year.

By the Chairman:

Q. Over what period?—A. That is about his average production for the year. That averages 7,814 pounds per cow per year. That is about approximately right.

By Mr. Bouchard:

Q. Holstein cows?—A. Yes.

Mr. Pickel: That is too much.

The Witness: Well, in the dairy business you have got to produce plenty. Now, I will deal with feed.

TABLE OF FEED

Pounds Daily—

475 Alfalfa hay at $14 per ton	$3.32
475 Timothy hay at $11.50 per ton	2.73
200 Provender (mixed grain)	2.00
100 Malted sprouts at $14 per ton	.70
500 Pounds turnips at $4 per ton	1.00
Total	$9.75

> Feed costs alone for 760 pounds of milk daily are $9.75.
> $9.75 ÷ 760 = $1.28 per cwt. to producer for feed alone.

By the Chairman:

Q. That estimate, after all, is absolutely dependent upon the price of feed?—A. Well, these are bought by carload lots. That feed was all bought carlots, no cost added to the haulage.

Q. I understand that, but one year bran may be $20 a ton and the next year it may be $40; hay may be selling at $10 a ton this year and $15 next?—A. Is it not reasonable that the cost of your production should vary according to the amount of money you put into it?

Q. I agree; but it is impossible to get very far in estimating the cost of production?—A. This is not an estimate; this man actually weighed this feed out. I am giving you the actual weight. In analyzing that his feed costs alone were $1.28 a hundred. The average price paid per hundredweight retail and

wholesale to producer—$1.32 February, 1933. The average price paid per hudredweight retail and wholesale and sweet cream, milk $1.25 February, 1933. If he included sweet cream and had no surplus he would have got $1.25 a hundred, and his feed costs, as he bought in the open market—I might say that alfalfa hay cannot be bought for that to-day, nor timothy nor malted sprouts, nor mixed grain—I do not know what you can buy turnips for—that was cheap feed. Those cows were not unduly fed. They were milking well on it, and still it cost him on that figure $1.28 a hundred. Including his retail and wholesale sweet cream the best he could get was $1.25. There is no taxes or anything else included in that.

By Mr. Pickel:

Q. You make no calculation for labour?—A. Not a bit.

Q. No calculation for overhead?—A. Nothing at all.

Q. Interest on investment?—A. Nothing.

Q. Two or three hundred dollars for a herd sire?—A. Nothing at all.

Q. It costs $2 a hundred there?—A. Against that—that particular farm the taxes were over $400. The next item is "haulage". Haulage is a factor which enters quite largely into the milk situation here. Producers close to the city have their milk lifted free of charge six days a week, weather permitting. That means that if it is real stormy we have to meet them or draw it in. This area would be on the average within ten or twelve miles radius of the city limits. Those who live beyond this distance have to pay for their own haulage less an allowance of ·05 cents per can paid by the distributing companies.

The more serious aspect of this phase of the situation however, is due to the fact that the good roads and of late years the open winters have greatly enlarged the area from which our milk supply is drawn. This means that the extended area and supply which ordinarily goes to local cheese and butter factory is brought to the city.

> The result is there is an over supply to the city with consequent reduction in price for surplus milk, and the cheese factory loses some of its best patrons and eventually may have to operate at a loss or even close. The haulage situation has also been aggravated by present economic conditions. Many trucks are idle and are willing to haul milk long distances for next to nothing. Extra wear and tear on our roads is also a consideration. This easily accessible supply has been used by the distributor to lower the price of milk to the producer. We believe that if an area sufficient to supply the city were defined, say by licence under the Board of Health, which has the inspection and checking up on the producers, the result would be that:—
>
> 1. A better average return would be received by the producer.
>
> 2. The inspection could be more thoroughly and economically carried out.
>
> 3. A better quality of milk would be assured. From this area the distributor would draw enough milk to meet the demand for milk for domestic consumption. A safety margin of say 10 per cent or some fixed amount, overplus might be allowed.

Although I do not recommend it. The supply for butter could be brought in more economically in the form of cream from outside this area.

I would like to comment on the first—a better average return would be received by the producer. A man that is producing milk for domestic consumption has certain expenses and regulations, ice, and all that sort of thing, and he has a certain definite amount of milk which he has got more or less to keep up, and when he does that it means that he has got to force his cows

during the winter period more than the man who is near a cheese factory. He does not force them. With that forcing and the long milking period the life of an average milch cow—the profitable life does not exceed two years—so that at least every three years he has 50 per cent of his herd to replace, and he is only in business for milk for domestic consumption; he is not producing butter; that is not his business, nor cheese; there is no cheese factory within 20 miles, and if he meets a surplus from outside competition and the companies do not take care of it he has no other market and has to give it to them at whatever price they like to pay.

Now, you, Mr. Chairman, asked a question of Mr. Spratt in regard to the outside man coming in with milk. I would like to say for the companies, when they originally started—the small companies—they went out to the farmer that was outside this area and they told him if he put $200 worth of stock or the equivalent of that in the company they would take a definite amount of milk from him, and he bought his market at whatever price, $1.40 or $2.60, or whatever the price might be, and he was selling his milk at a good high price for a definite amount.

By Mr. Pickel:

Q. Was it not generally understood it was to exceed $2 a can?—A. Generally, yes. Now, the facts were that after operating about a year and turning in a lot of surplus milk these companies could not exist, so the poor fellow had to take whatever was offered to him—what they could handle. The consequence was that this milk was carted onto a market already supplied which never would have been if those new companies had not been started out. Now, that, I think, is the answer to, "would you be prepared to advise them not to start?" If the conditions were understood they would never have started.

The following table will show the increase in distribution and plant in Ottawa and vicinity in the last two years.

	Pasteurizing plants	Distributors
1930	7	21
1932	15	46

We believe that this condition was brought about by the larger distributing companies maintaining an unduly high spread; by their paying a decreasing price to the producer and by purchasing an ever diminishing quantity of milk at the price paid for the fluid milk trade. The inevitable result was that many producers were driven to distributing their own milk, and in a number of cases, some of their neighbours milk, on the streets of Ottawa.

A great deal is being heard about milk of a higher butter fat content being delivered to the consumer and the added cost of this milk to the distributor. The standard of purchase of fluid milk for 1931 was set by the provincial authorities at 3·4 butter fat with a ·04c. allowance per $\frac{1}{10}$ of 1 per cent above or below standard. For years before this standard was set, milk was purchased in Ottawa on a 3·5 per cent basis with a ·03c. allowance per $\frac{1}{10}$ of 1 per cent variation. This system was set up and insisted upon by the distributors who were quite capable of knowing what was best in their own interests. The fact remains, however, that in spite of the present basis of payment many a producer of milk with a higher butter fat content now finds himself drawing a much smaller return than under the old flat system of payment.

In other words, the decreased quantity which they are taking for fluid milk trade is wiping out any advantage over the amount they would get under the new system.

By Mr. Bouchard:

Q. Do you admit that it is a fair system in itself; would you rather be in favour of a flat basis as a producer yourself?—A. No, if I was selling all my milk and if I was producing 3·4 milk and got the regular price for it I would not be in favour. If I was producing 3·8, I would be much more in favour of it; and if it was 3·3 I would not be.

Q. Are you not of the opinion that this basis has a tendency to increase the butter fat in the milk, and so it reflects back on the herd for the good of the herd. Instead of that, on the flat basis, there would be a tendency to decrease the butter fat in the milk, or rather to let our herds deteriorate in the content; that is, the fat content would depreciate, but not the yield? When you go out to sell a cow, if it is a low butter fat producing cow don't you as a farmer find a difference?—A. I find that no man could guarantee what butter fat content a cow is going to give you.

By Mr. Pickel:

Q. And you might add, you can't tell much about what the distributor tells you about your test?—A. I would not say that, we have very honest distributors; we will take their word for it.

By Mr. Bouchard:

Q. Now, admitting that, you realize that with proper selection you are bound to improve the butter fat producing quality of your cow?—A. I am not prepared to admit that.

Q. Well, I am.—A. No, I don't think so, because I can remember probably thirty years ago the Ottawa Dairy then demanded a 3·5 standard from their milk from their producers.

Q. There are herds in Canada that have been improved by 2, 3, 4 and even by one point, just by proper selection?—A. Just how much depends on good herdsmanship and proper condition when you bring your cows in. But the fact remains that a cow that is giving you 3·8 may, the same cow, give you 3·2.

Q. Well, accidently—according to the season?—A. No, not accidently.

Q. Feed has nothing to do with it?

By Mr. Bouchard:

Q. I maintain that changing the feed has nothing to do with the butterfat, except when you change in a period when a new feed is introduced for a period of a week or two, but on the average the quality of the feed has nothing to do with the butterfat production. It increases the yield of milk?—A. Well, in answer to that I will say that our returns show that some herds will not vary appreciably the whole year through, other herds you will find up to near 4 per cent butterfat and the same herd will go down to 3·3 and 3·4. When you say that the feed has nothing to do with it I am not prepared to agree with you, because I do know if you bring a cow in in good flesh she will give you a higher testing milk than she will if she is not in good condition.

Q. Yes.

Mr. PICKEL: This investigation is not here to investigate the quality of one breed of cattle or another, or the question of feed.

By Mr. Bouchard:

Q. I think, Mr. Chairman, I am quite in order, because we are here to try to improve the conditions of the producers of milk, and when the distributors of milk are coming here and they say that they do not keep any account for the fat content of the milk, I think they are entirely wrong; and I maintain

that I am absolutely correct when I say they should organize their business so as to induce the farmer to improve his herd, that is my point.—A. Well, gentlemen, as far as I—in fact, I know that all the distributors in Ottawa keep a record of the fat content of their milk, and you are paying for it on that basis. I don't think they could do anything else under the regulations issued by the department at Toronto.

Q. Some do, some do not.—A. In Ontario?

Q. Yes.—A. They would have a hard time getting away with it in Ontario. These are departmental regulations which specifically say that milk should be purchased on a 3·4 basis, with a 4 per cent per tenth point up or down.

Now gentlemen, I may say:

> It has been extremely hard to get data to lay before this committee as our association has no complete records. Moreover individual farmers are very reluctant to divulge information, lest they get in wrong with the distributing companies. The figures quoted above, however, are based on returns of one of the largest and fairest companies operating in Ottawa. I believe they will apply to a large percentage of local producers.
>
> Speaking for myself, Mr. Chairman, I may say that in my humble opinion, the cause of much of our trouble is deeper rooted than we have so far revealed I believe it to be largely caused by:
>
> 1. The utter wastefulness of our competitive system; for example 10 men delivering milk in one block.
>
> 2. The desire on the part of individuals and corporations for excessive profits.
>
> In commenting thus, I do not mean to reflect on the management of any of our local distributors. The practice is part of the accepted order of things under our present system and all classes of society have been guilty in this respect.

Mr. Spratt pointed out that in 1914 the spread was 3·5 cents per quart in Ottawa, and with the increasing number of distributing companies, this reached a peak of 6·01 cents in 1930.

By Mr. Pickel:

Q. Those are the figures received from the distributor, you are taking the difference in price between what the producer received and what it sold for?—A. No, we are taking the spread on the price as shown in 1914, of 3½ cents per quart; and in 1930 it was 6·1 cents. Now, in that period when the milk was selling with a spread of 3·5, there was just one distributing company in Ottawa. They went out with their rigs loaded, one rig covered the streets, and they could operate quite easily.

By Mr. Bouchard:

Q. Before long we will have only one company all over Canada.—A. You may do that, but at that particular time the city of Ottawa was well served. An uncontrolled monopoly in the hands of an unscrupulous man may be dangerous, but unlimited and unrestricted competition, if kept on, would prove disastrous. That is the point I wish to make. I do not mean to say that one company is sufficient for Ottawa, but I do mean to say that the least men that can serve the people economically can return the greatest amount to the producer.

Mr. MULLINS: Mr. Chairman, may I ask a question?

The CHAIRMAN: Yes.

By Mr. Mullins:

Q. Do you use milk?—A. Yes.
Q. Both of you?—A. Yes.
Q. Do you pasteurize it?—A. No.
Q. That is all I wanted to know.

By Mr. Bertrand:

Q. Mr. Innes, in what year did you organize the Producers' Association?—Oh, it was before my time; it must be 25 or 30 years ago.

Q. The Producers' Association?—A. The Producers' Association.

Q. What were the reasons for the producers forming their organization, do you know?—A. Well, the only reason I really know was that they organized—they must have had some difficulties at that time—to help their own condition, they organized to try and deal with the milk companies.

Q. They must have had some difficulties?—A. Some difficulties at that time, and they organized to try and—

Mr. PICKEL: For mutual protection.

The WITNESS: Yes, for mutual protection.

By Mr. Bertrand:

Q. And according to your statement, you are claiming that the spread between the price paid to the producer and sold to the consumer is too large?—A. Well now, you are getting me into a bad jam, because I could not say that. If a man, we will say, is going on the street selling 20 gallons with a horse and rig, and he is only making what the spread shows him, he is not making any money; it is not too large for him.

Q. Competition is a factor?—A. Competition comes in there, and the spread may not be too large for him at all.

Q. We will leave that aside there, I don't want to put you in a jam. May I ask you what are your relations with your association?—A. With my association?

Q. Yes, your relation with your association.—A. Oh, I think the very best.

Q. Are you an official of the association?—A. I am a member of the executive.

Q. You are one of the members of the executive?—A. Yes.

Q. Would you give us some idea of your association?—A. Well, I have a copy of the constitution here, and all that, but I don't know—

Q. You could give a brief outline?—A. I could give you a brief outline of the purposes of our association, that I think would cover what you would want.

By the Chairman:

Q. Give us an idea of your executive, Mr. Innes. I don't mean the names; but how is your association made up, and what are its purposes?—A. The purposes of the association are to promote the interests of the producer and consumer of milk.

(*a*) Improving the conditions under which milk is produced.
(*b*) Improving marketing methods.
(*c*) Standardizing the product.
(*d*) Generally by doing such other things as are necessary with respect to quality, the cost of production and distribution of milk and the return to the producer and the cost to the consumer as will promote the interests of both, and to do all things necessary therefor.

Those are the objects of the association. Now you want the Board of Directors.

The CHAIRMAN: Not the personnel, just how it is constituted—president, vice-president, so many directors; how are they elected?

By Mr. Bouchard:

Q. Do you accept only producers in your association?—A. We accept all the producers that were producing milk in 1923.

Q. And no others?—A. No, and then it says: Any person, a producer January, 1923, may become a member of this Association who is identified with the production of milk for city consumption and who conforms with the purposes and by-laws and rules and regulations of the association, and who pays the annual membership fee.

Q. Did you say 1923, or 1933?—A. 1923.

Each member shall be entitled to vote at any regular or special meeting.

The regular annual meeting of members shall be held at such time and place as the Board of Directors shall determine.

Special meetings of members shall be called by the Secretary upon direction of the Board of Directors, upon reasonable notice.

The Board of Directors shall consist of so many members made up of the representatives from local clubs.

Now, I may say that in our association we have a club in each district, a local club, and they select their officers and send representatives according to the number of members they have to the head executive, and each member that they send in are members of the executive, or in other words, termed directors.

> The officers of the association shall be a president, first vice-president, second vice-president, secretary and treasurer, who shall be chosen by the board of directors, each for a term of one year. Vacancies in any office may be filled by the board for the unexpired term.

Now, as I explained to you, I do not think you need much more of this, the powers and so forth of the board of directors, the annual report, and all this. The board of directors are those representatives that have been selected by the local clubs which have organized in each district, and they form our executive along with the president.

By Mr. Bouchard:

Q. The general executive—have you a small executive? Have you just a general executive composed of the directors, everybody out of each community?—A. No, we have an executive—I guess Mr. Spratt would be better able to tell you—of I would say roughly about twenty-one. You see, every club sends in one or two members.

Q. Well, it is not an executive; it is just the board.—A They are the board.

Q. Yes; you have no executive, what we call an executive?—A. The executive shall consist of the president, the first vice-president, the second vice-president and secretary and treasurer. Those officers are all appointed by the representatives that have been selected by the clubs. There are no outside directors or officers.

By the Chairman:

Q. Did I understand you to say that nobody but a person who was a member of the club in 1923 could join?—A. At that particular time. The reason that reads that way was in 1923 it was organized and they took in every producer at that particular time that was producing milk for city consumption, and then every man afterwards that wished to come in and pay his fees and become a member.

By Mr. Bertrand:

Q. May I ask then, have you a paid executive?—A. No.

Q. Well, I suppose the directors, these people selected by the different clubs are not paid?—A. No.

Q. But your executive is paid?—A. No.

Q. Well, the secretary, the president?—A. Well, we give them a small amount at the annual meeting.

By Mr. Pickel:

Q. You have no watered stock, Mr. Innes?—A. No watered stock.

By Mr. Bertrand:

Q. Do all these people work for nothing?—A. Absolutely.

Q. Just for the sake of—.—A. Their fellowmen.

Mr. PICKEL: Sure, they are accustomed to it.

Mr. BERTRAND: I know it.

By Mr. Bertrand:

Q. In so far as the small executive is concerned, taking in your chairman, vice-chairman or vice-president, and the secretary treasurer, all these people are working for nothing?—A. For nothing.

Q. Except a certain bonus?—A. Except whatever bonus is given at the end of the term.

Q. At the end of the year. Are you a farmer yourself?—A. Yes, but I ain't a politician.

Q. Mr. Spratt is also?—A. Yes.

Q. May I ask you, would this organization which is paying no salary to anyone of your directors, or practically nothing but a bonus to the executive,—

Mr. PICKEL: The secretary.

By Mr. Bertrand:

Q. —you are just paying the very same prices, I understand, as are prevailing in Ottawa at this time and in the past; may I ask you if your association has been a profit making institution?—A. Well now, you have got me cornered again. I think I may safely say yes, in this way, that through the efforts of the association, that they have been able to get larger returns for the producer than they would have got without.

By Mr. Bouchard:

Q. But that is not profits; it is services.—A. No? It is quite a profit to the man who is selling his milk.

By Mr. Bertrand:

Q. I can't see where the profits would be coming for the producer at the present time.—A. Not to the association, but to the individuals.

Q. To the individuals?—A. Yes, every member.

Q. Were you not in the market then, do you claim that the price paid by the other companies would not be as large to-day to the producers?

The CHAIRMAN: Mr. Bertrand, this is purely a producers' association. They don't distribute at all.

Mr. BERTRAND: How do they dispose of their milk?

The CHAIRMAN: Oh, they don't.

Mr. BOUCHARD: Just the individual member.

The WITNESS: Mr. Bertrand, I think that that question should fairly be asked the distributors.

Mr. BERTRAND: Well, I beg your pardon, Mr. Innes; I was under the impression that you were distributing milk in the city.

The WITNESS: No, we are not.

The CHAIRMAN: Any other questions, gentlemen?

Mr. PICKEL: Yes, Mr. Chairman, I have just got a couple of short ones.

By Mr. Pickel:

Q. Mr. Innes, don't you think that the truck has depreciated the price of milk in the city?—A. I am sure it has.

Q. Lots of farmers outside who were making cheese or making butter a long distance away from the city, who would not take the pains to send their milk in to the city or who would not get up early enough in the morning to put it on the train, are catered to by trucks. They go and get it, and so bring a large quantity into the city. What are the names of the large dairies in Ottawa?—A. Well, there is the Ottawa Dairy, the Producers, the Central and Clarke's. They are the four large dairies in the city of Ottawa.

Q. Are all of those companies paying the same prices?—A. Well, now—

Q. I would suggest to you, Mr. Innes— —A. Remember, I am on my oath.

Q. Yes, I know.—A. And I am not a director of any of those dairies, but I will say this, that according to their producers they are not.

Q. Which ones are?—A. I don't think I will answer that, with the Chairman's permission. That is a leading question, and I don't think it is fair.

Mr. PICKEL: Well, never mind.

By Mr. Pickel:

Q. Mr. Spratt in his evidence said that the price that you received for your milk was as a result of a conference between the producers and the distributors?—A. Yes.

Q. On sort of a gentlemanly agreement; on which side of the gentleman? —A. Well, I will tell you frankly, if you were sitting in—

Q. Is it not a fact that you take just about what the distributors say every time? I know they do in Montreal.—A. Well, yes. When you asked me that, I was going to say that if you attended some of our meetings, you would wonder where the gentlemen were. However, I think that in the final analysis, that they may give way a little bit to us.

Q. Just a little?—A. Yes.

Q. And you give way a great, great deal?—A. Yes.

Q. Sure.

Mr. BOUCHARDS: You must ask as well on what side is the agreement.

Mr. PICKEL: A mutual agreement.

By the Chairman:

Q. You have given us everything, Mr. Innes?—A. All that I think touches on the producer, as far as I know, Mr. Chairman. If we had known sooner, probably we would have got some of our men to give some definite figure with regard to the cost of production.

Q. Could you give the committee any information regarding the question or two that I asked Mr. Spratt, or at least give us your own opinion as to how we could control the supply of milk coming in to the city of Ottawa?—A. How you could control it?

Q. Yes; have you any definite idea?—A. Yes. As I said in my report, as you are aware about the milk situation, the more you extend it, the more you disrupt the dairy business in all that country. If you disrupt the cheese factories and butter factories and everything else, by taking the milk, which naturally goes to those factories, away from them, those people close in that have had their cheese factories, close them down because there is no other

market but to sell to the dairies; it is their market, and they have been selling a decreasing amount for the last good many years. There is no place for him out there to wholesale milk except to the dairy companies. I did suggest this, that if our local board of health would only issue licences sufficient to cover what milk was actually needed for domestic consumption, with a percentage for farmers, and the dairy companies could only buy from those people, and put that up to the board of health, that no farmer or anybody else would benefit by it; even under the control of the board of health, they have to inspect them; they are under their control. If they did that, and the producer had to confine his buying to that area, I don't care where it is, then the condition would rectify itself, because if a man close in could not sell his milk to the city of Ottawa, he would promptly get the cheese factory established, and he would go out of the wholesale milk trade for domestic consumption. He would not be putting up big plants, ice houses and everything else to cool his milk to supply a trade that he didn't have.

Q. Do you advocate, as Mr. Spratt did, that a public utility board should set prices?—A. Mr. Chairman, I have not been reading the account carefully, just slightly, but it seemed to be worked out very satisfactorily in Winnipeg. I do say that I was a little surprised that the producers were not on that board, or the distributors. It was only producers and consumers that were on it. They went a little further there than I hope they would, because they set a definite amount of spread, and any man that liked to go into the milk business then could go in, if he made it pay; and if he didn't make it pay, he would stay out. I really am in favour of that, but I do think even with a board, that the board of health should say where they get their milk.

By Mr. Pickel:

Q. Mr. Innes, you are a practical dairy man?—A. Yes.

Q. From your experience, don't you think that $2.50 is nearer the cost of production for a hundredweight of milk than $1.50? You say it is practically one dollar—what was your figure you gave, $1.28?

Mr. BOUCHARD: $1.50.

The CHAIRMAN: $1.28 for feed.

By Mr. Pickel:

Q. $1.28 for feed; are you taking into consideration labour?—A. Yes.

Q. And overhead; overhead means a great deal, it is a big investment, and it is certainly a good deal more than $1.50, is it not?—A. I will say it is. The trouble is this, that no farmer or dairyman ever figures depreciation or overhead into his business.

Q. Well, don't you think that to-day a good many farmers don't want to know just how they do stand?—A. Well, all they have got to do is go to the bank and they will tell them how they stand. It would be a great relief, even $1.50 for the quantity of milk which you are producing. But I do want to stress this again, that if you are selling a large part of your milk which is produced for domestic consumption as surplus milk, then you had better get out of the milk business.

Q. Sure.—A. At any price .

The CHAIRMAN: Anything further?

Mr. LOUCKS: I have no question to ask, but I do feel that to-day we have received in evidence something superior to what we have been getting, from Mr. Innes. I think that as a farmer—

Mr. PICKEL: The two witnesses.

Mr. Loucks: Yes, the two witnesses here to-day. As a farmer myself, I want to compliment Mr. Innes and the other witness on the evidence they have given here to-day. I can attribute it to nothing else but because they are practical men themselves and they know something of what they are talking about. I don't know if the committee agree with me or not. Mr. Chairman, there was just one time when I noticed Mr. Innes drop his countenance at all, and that is when he was asked if he was a natural producer himself. I don't wonder at it. I don't wonder that we farmers have to drop our countenances—I might have dropped mine if I had been asked the same question—owing to the prices they are forced to take. I want to thank the witnesses.

The Witness: Mr. Chairman, in explanation for the dropping of my countenance, I would like to say that most of my friends take me for a politician.

The Chairman: If there are no further questions, the committee will stand adjourned until to-morrow at 10.30, when Mr. Hogg, from Montreal, will be here.

The committee adjourned at 5.20 p.m. until Tuesday, April 25, at 10.30 a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 25, 1933

No. 21

Reference,—Milk and Milk Products

WITNESS:

George Hogg, President, Guaranteed Pure Milk Co.

Appendix "B"—Document filed by Witness.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
TUESDAY, April 25, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard Bowen, Bowman, Boyes, Butcher, Cayley, Coote, Dupuis, Gobeil, Jones, Loucks, McGillis, McKenzie, Moore, Mullins, Myers, Pickel, Senn, Shaver, Simpson, Stirling, Tummon, Weir (*Macdonald*), Wilson.

Mr. George Hogg, president of Guaranteed Pure Milk Company, Limited, Montreal, was recalled and examined.

Witness retired.

The meeting adjourned till Wednesday, April 26, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,
April 25, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The Chairman: Gentlemen, if you will come to order, we will ask Mr. Hogg to take the stand again.

George Hogg, recalled.

By the Chairman:

Q. Is your secretary with you?—A. Well, yes, one of our men. I don't require him, I think. If I want him, I will have him.

Q. You will remember that you are still on oath.

Mr. Tummon: He is a little deaf, Mr. Chairman.

By the Chairman:

Q. I say it won't be necessary to have you take the oath again. You are still on oath; you realize that. Have you any further statement to make, Mr. Hogg?—A. No, no statement.

By Mr. Tummon:

Q. Mr. Hogg, there are a few points in connection with your evidence before that I would like to get straightened out, if we can.—A. Talk up for me, will you please?

Q. All right; I say that there are a few points, in connection with the evidence that you gave the last time, that I would like to get straightened out if we can. Can you give us to-day, Mr. Hogg, the total pounds of fluid milk that you purchased in 1932?—A. I think I can, yes. In 1932 we purchased 35,739,069 pounds.

Q. According to your evidence before, 88·1 per cent of that was purchased at the association price?—A. That is right.

Q. And 11·9 per cent at the surplus price?—A. That is right.

Q. Can you state to-day the average cost price per 100 pounds of the association milk?—A. Of the association milk?

Q. Of the association milk, yes, for the same period?—A. Mr. Low, I think you might come up; you would help to guide me through this thing. What was your question, Mr. Tummon—the amount we bought at the association price?

Q. No, the average cost per 100 pounds of the association price milk?—A. Yes, $1.52½.

Q. What is the average cost?—A. $1.46½. That is all milk.

Q. And the average cost per hundred pounds of surplus milk?—A. $1.02 per cwt.

Q. That is purchased at the factory, f.o.b. your factory?—A. F.o.b. the railway station, Montreal.

Q. If it came in by truck, I presume at your factory it would be?—A. We bring practically nothing in by truck. Ours all comes in by rail.

Q. All right, f.o.b. Montreal?—A. Yes.

Q. Now, I presume that all the milk purchased at the association price was disposed of as fluid milk?—A. Yes, that is quite right.

Q. Can you give us to-day definitely the average cost per quart of that association price milk at Montreal?—A. 391—0391.

Q. 0391?—A. Yes.

Q. That is 3·91 cents per quart?—A. Yes.

Q. You said the last day, or we figured it out that the average cost for your milk was 3·65; that was based on your average price of $1.46 per hundred pounds?—A. What did you say, Mr. Tummon?

Q. The last day when you were here you said the producers' price would be $1.46 less transportation; that was the average for association and surplus?—A. That is right.

Q. And it was figured out at 3·65 cents per quart?—A. The price paid per quart for all milk was 375.

Q. 375?—A. There is a little difference, because the last time I had so little time that the thing was hurriedly got up—or $3\frac{3}{4}$ cents a quart.

Q. That includes association and surplus milk both there in that price per quart?—A. Yes, exactly.

Q. Now, what was the average selling price in 1932, Mr. Hogg, for the association price milk?—A. The price received for milk sold by the quart was $8\frac{4}{5}$ cents per quart.

Q. $8\frac{4}{5}$ cents?—A. Yes.

Q. That would be 8·80?—A. 0888.

Q. 0888; it would be 0880, would it not?—A. Well, it figured out to 0888 or practically $8\frac{4}{5}$.

Q. You purchased your milk at the same price practically as the other dairies who were dealing with the milk producers here?—A. Exactly yes.

Q. You were selling in the same market, weren't you?—A. Well, not altogether, because there is some difference. You see, it all depends how it is sold. It was sold in different ways, and of course, that would make some difference.

Q. But it was all sold in the Montreal market, and you were all maintaining a certain retail price there?—A. For the retail market, yes.

Q. I think if I remember correctly, the last day you said something over 60 per cent of that quantity was sold at retail prices?—A. Here it is, Mr. Tummon. It was sold as follows: 63 per cent retail, four per cent to stores, one per cent to charity, 10 per cent to restaurants, 22 per cent to manufacturing.

Q. 63 per cent was sold at retail prices?—A. Retail prices.

Q. At the maximum price per quart that milk was selling at in Montreal?—A. Yes, at the going price.

Q. Now, I am not just altogether clear on those figures, why the three other largest plants in Montreal had an average selling price of 10·41 and 10·53 and 9·68, while you had an average selling price of 8·88 or 8·80?—A. The percentage that would be sold for manufacturing purposes and to other dealers, I suppose, was larger.

Q. My recollections are that some of them were not as large?—A. Were not what?

Q. My recollections are that some of them were not as large to the retail trade?—A. Well, I don't know about the others. All I can answer you is what we done; and these figures that I am giving you are absolutely accurate, sir.

Q. All right, we will take them as being accurate.—A. I won't undertake to answer for others. I won't be my brother's keeper.

Q. No, but at the same time, I was trying to find out why there was the difference.—A. If you will only come down and work among us for a while, we will be glad to show anything we have got, so you will get the thing right there; but I can only answer for our company.

Q. Perhaps you and I might talk that over after the meeting is over?—A. That will be fine.

Q. And see what you would pay, you know. All right, we will take your price as being accurate, according to your books, of 8·80 or 8·88, as the average selling price for the association milk. Now, will you tell us what the spread was per quart, the spread between the net purchase price or the average purchase price and the average selling price of association milk?—A. The actual spread of milk which was purchased at the full association price, plus premiums, and sold as fluid milk was 0495 cents.

Q. Now, Mr. Hogg, will you try and account for that spread? What makes up that spread? In other words will you break it up?—A. In what way, Mr. Tummon?

Q. Well, how did you arrive at that spread; what entered into that spread? I presume you have factory costs—A. Yes. I think I gave that the last time I was here.

Q. You gave it in percentage of hundred pounds, but I was wondering if you have it broken up so that you can give it in quarts.—A. We can't. We have not got it. We have our financial statement which shows the different costs on our total operations.

Q. That financial statement is printed.

The CHAIRMAN: Page 437.

By Mr. Tummon:

Q. It is printed in No. 12, pages 436, 437 and 438. Take 437; have you got a copy there of that?—A. Now, coming down to the dairy charges and expenses, $7,260.41; I presume that enters into the spread, Mr. Hogg, practically all those items?—A. All those items enter into our expenses.

Q. Yes, from there to the bottom of the page.—A. From there to the bottom of the page, yes.

Q. Now, can you say that all those expenses mentioned in those two paragraphs there were charged to the distribution of fluid milk or not?—A. It was charged to the running of the whole business.

Q. To the running of the whole business?—A. Sure.

Q. Then when you arrived at the spread per quart of the fluid milk, you took out of those items a certain amount to arrive at that spread?—A. No, we took the cost of our milk, and the sales of our milk.

Q. You have given that.—A. And that is the difference, with the number of quarts we sold divided into it.

Q. You divided that into the total charges of your factory?—A. Divided that into what was left to get our spread, what we sold it for, what we paid for it and the number of quarts sold divided into the balance is what your spread is.

Q. I don't know that I just get that altogether correctly?—A. We sell milk for eleven cents, and we pay five, for instance; the difference is the spread.

Q. Then you don't sit down to figure out how much of these charges went into the spread at all?—A. No, sir. Our business is all run together, our delivery charge for milk, cream, butter and eggs are all in these charges.

By the Chairman:

Q. You don't segragate them at all?—A. No, sir. You know, Mr. Tummon, since we have been carrying on our business, we never expected a minute inspection of this kind. We were carrying on our business in the same manner as we have been doing for years, just as any of you gentlemen would do. We have not been splitting hairs.

The CHAIRMAN: No; I will agree with that.

By Mr. Tummon:

Q. You have not been which?—A. Splitting hairs.

Q. I have come to the conclusion that you have not, or you would have taken these cost charges here and divided them into the spread.—A. I want to say to you, Mr. Tummon, that I don't know what business you carry on, but if you were to be pulled up, as we have been, and be asked these questions, to divide your business in the same way that you are asking us to divide it, you would be somewhat hard put to do it.

Q. Well, I can tell you Mr. Hogg, that I have been keeping cost accounts, and I can take you into a business where every part of the cost of that is put to the different items.—A. Well, we have not shown it.

Q. And I say here, that to simply take the cost price per quart and the selling price per quart and say that is the spread, and not charging up directly all your cost accounts of your factory, that I cannot tell and this Committee cannot tell, how much of the actual cost of operating your factory is charged to the fluid milk. All right. You can't say whether all the costs of pasteurization is charged to your fluid milk?—A. Everything is charged to the business, Mr. Tummon. We bought so much stuff, so much milk, and we sold so much milk and cream and butter and eggs, and that was on one side, and the charges were against the other, and what was left is what is shown in our balance sheet.

Q. Well, Mr. Hogg, in order to be fair to you, I wanted to bring out the point that you were not charging all the costs of your factory and distribution and other things up to the spread of fluid milk. That is the point I am making. —A. We charge it up to the cost of our business. I can't say anything else than that.

By the Chairman:

Q. Do you mean to say, Mr. Hogg, that you have been carrying on business for years, and that you don't know whether you are making a profit on your sweet cream, for instance—whether you are making a profit on your butter sales or your cream sales or your ice cream, that you lump them all together, and just go haphazard?—A. Well, Mr. Senn, our statement shows whether we make a profit or not.

Q. I would think that a company that has been as successful as yours would know whether they are operating some of these side lines at a loss or not? —A. Mr. Chairman, I have always felt that you can go so far in working out the details of a business, and when you get away beyond that, you are just running into costs that give you practically no results. That has been my opinion, and it is on that basis that we have run our business.

By Mr. Dupuis:

Q. If you will allow me just on that point, Mr. Chairman—I am of the same opinion as the Chairman. I can't understand that a company like yours—in good faith I am putting the question—will not seek to find out if on any one special item of your trade you are making a profit, or you are making a loss, and that your books are not so arranged that you could find that out at the end of one year. Is that what you mean, that you put it all together in a basket, and out of it you get profit as a whole, that you don't care if you lose on one trade, if you lose on milk or if you lose on eggs, or if you make money on other branches? You don't care about that, is that what you mean?—A. I don't mean anything. I have not made any such assertion.

Q. Be fair to the committee.—A. What I am trying to tell you is that this has been our system of running our business, and all we can give you is the facts as they are. I can't go into what you think I ought to do, or what somebody else thinks. We have not been doing it.

By Mr. Bouchard:

Q. Do you think that you show a great respect to this body of men who compose this committee in telling these things to this committee, that you have the whole thing as a whole and that you don't care about making a profit on a special branch?—A. If you will tell me what you want, anything you need we will give to you.

Q. This gentleman is asking you how much profit you are making on fluid milk?—A. Then I said, I can't tell you that.

Q. You can't tell us?—A. I can't.

Q. I think the committee should find out if they really want it.

By Mr. Tummon:

Q. Mr. Hogg, with all due respect to the controversy that has developed, in 1932 you had a gross trading profit of $223,776.92?—A. Where is that?

The CHAIRMAN: At page 438.

The WITNESS: A gross trading profit of $223,776.92.

By Mr. Tummon:

Q. Yes, and after you deducted depreciation of $78,023.27 and bad debts written off of $7,828.42, these two items making $85,851.69—to which amount you added again on motor vehicles sold or traded $156.30 you had a net profit of $138,081.53?—A. That is right.

Q. Then, you tell the committee do you that you don't know how much or what part of your business paid?—A. Oh, no, I didn't tell you anything of that kind, Mr. Tummon. Really, gentlemen, I want to give you all the information that you want, but it is not any use of my looking wise and trying to tell you something I don't know. Now, if we go into it, I have a good many figures here; if you would just specify what you want we will see if we can work it out.

Q. Well, I wanted to find out if I could, the point that I was after Mr. Hogg, was to find out how much of your costs as shown in these last two paragraphs on page 437 was charged to fluid milk distribution?—A. Well, Mr. Tummon, believe me when I tell you that I am not able to tell you that. I am not able to tell you, so it is not for want of respect to this committee, gentlemen. I will tell you anything I can, but I can't tell you something I don't know; and you would not want me to go into spread, to talk about things I don't know anything at all about. I can't tell it.

Q. Well, you could furnish that, Mr. Hogg?—A. I am not able to furnish it, I can't furnish it because we haven't got it.

Q. Then when you say that the spread between the cost price of fluid milk at your factory and the average selling price is 4·95 cents, you can't tell the committee whether or not in that spread you made any profit or not?—A. Yes, we made a profit, but I will tell you Mr. Tummon, there is a large part of that milk, the milk that went to other dealers and milk that was sold for manufacturing purposes—in my own heart I believe we handled that for the producers at no profit. Where we did get our profit, Mr. Tummon, was out of the milk that we were selling at 10 and 11 cents a quart.

Q. Yes, I understand that?—A. But I haven't got the figures to report that; but I might say about this, if we had a surplus of milk and a brother dealer needs it and he gets it at almost what we pay the farmers for it there is no doubt we are not making money on that. I think you will admit that.

Q. I can understand that. Well, at any rate, of that 88·1 per cent of fluid milk that you purchased, that is all accounted for in what we have been going over, the retail the wholesale and to restaurants and suchlike?—A. Yes.

Q. Now then, 11·9 per cent of the fluid milk purchases you say was surplus?—A. Yes.

Q. For which you paid an average price of $1.02 per hundred pounds?—A. That was it, I think, yes.

Q. Now, can you tell the committee, Mr. Hogg, what you do with that surplus milk?—A. Yes, it was separated.

Q. For what purpose?—A. It was either churned, or made into cream.

Q. Sweet cream?—A. Sweet cream if we required it, butter cream if we did not.

Q. Have you the quantities of that 11·9 per cent that went into butter and the quantity that went into sweet cream?—A. No, we haven't got that.

Q. Would it be possible for you to furnish it?—A. No, it would not be possible.

Q. There is nothing on your books to show it?—A. No.

Q. You have nothing on your books to show for it?—A. No, nothing to show for it.

Q. You can't state how it was broken up at all?—A. Not a thing. We had this 11·9 of surplus milk and it had to be handled.

Q. Of course, what part of it went into butter was simply cream and churned and sold as butter, that is what you meant to say?—A. Yes, exactly.

Q. That portion of it went into sweet cream, how did that go into the sweet cream—how was it put into the cream?—A. It is all sweet cream, the surplus milk is all sweet cream.

Q. Yes.—A. You know, Mr. Tummon, we are taking in fairly large quantities of cream.

Q. Sweet cream?—A. Sweet cream.

Q. In addition to the surplus?—A. Yes.

Q. Yes, we understand that, or suspected that?—A. We brought in—perhaps just to answer that—we brought in in sweet cream 538,453 pounds of sweet cream.

Q. Pounds of sweet cream, or pounds of butterfat?—A. Pounds of butterfat.

By the Chairman:

Q. At what total price?—A. Oh, at $129,715.12.

By Mr. Tummon:

Q. Have you the number of pounds of cream there too; you have given us the pounds of butterfat, the pounds of cream has a relation to butterfat, you know?—A. No, it is all in butterfat.

Q. I see.—A. You see, we bought on a butterfat basis.

Q. Yes, and there has to be so many pounds of cream in order to figure out the pounds of butterfat?—A. Exactly, it all depends on the price you give, but we haven't got that.

Q. What I am interested in now is the portion of surplus milk that goes into sweet cream, Mr. Hogg. You separate your cream, that sweet milk that comes in as surplus, and a certain proportion you said went to the cream trade?—A. It would either go into the sweet cream trade or into the butter trade.

Q. Yes, but we are agreed on the point that a certain percentage of it went into the butter trade?—A. Yes.

Q. We understand that now that is the proportion that went into the sweet cream trade?—A. Yes.

Q. How did you actually use it, can you say?—A. I can't tell you.

Q. Well, do you skim it and sell it as sweet cream?—A. That might quite be, yes. You see we bring it—it comes in among all the rest of the butterfat that we have.

Q. Yes.—A. And that cream is used, whether it is used for butter or for sweet cream or for sale on the waggons—we don't segregate it, we don't keep it separate.

Q. About what average is the sweet cream that you buy?—A. How do you mean, Mr. Tummon?

Q. What average of butterfat?—A. Well, we get it at all—it may be 22, or it may be 40 or 45 per cent.

Q. 22 to 45 per cent?—A. Yes.

Q. How many grades of sweet cream do you sell, Mr. Hogg?—A. We sell cereal cream 10 per cent; table cream 15 per cent; heavy cream 30 per cent; and whipping cream 20 per cent.

Q. The table cream is 10 per cent?—A. No, cereal cream.

The CHAIRMAN: That is what you call half and half.

By Mr. Tummon:

Q. That retails for?—A. Sixteen cents per pint.

Q. Sixteen cents a pint?—A. Yes.

Q. The next cream you call table cream?—A. Yes, table—15 per cent.

Q. And it retails at what price?—A. Twenty cents.

Q. Twenty cents, was that in 1932?—A. I don't think it did in 1932, these are the present prices, Mr. Tummon, what we are selling at. It was selling in 1932 at 30 cents.

Q. That is, what is selling at 20 now was selling for 30?—A. Was selling for 30, yes.

Q. And what was selling at 16?—A. Oh, well, we were not selling that at all. There was no cereal at that time. That is a new departure.

Q. Then when you say pints of cream at so much that means your 20 cent cream, or it might be 30 cent cream in 1932—.—A. Yes, sir, 30 cent cream in 1932.

Q. When you said pints of "X" cream, what did you mean?—A. That was selling at 40 cents in 1932.

By Mr. Pickel:

Q. Is that 30 per cent?—A. Thirty per cent, yes.

By Mr. Dupuis:

Q. What kind of cream?—A. Thirty per cent butterfat.

By Mr. Tummon:

Q. And you double X cream?—A. That was 35 per cent in 1932 and it was selling at 50 cents.

Q. At 50 cents a pint?—A. Yes.

Q. Now, these prices still held good up to 1931, did they not?—A. No, not quite as long as that, if my memory serves me it was about December 1st, up until December 1st; but then I am quite willing to allow the whole of it up to the end of the year—but speaking from memory I think the prices change about December 1st.

Q. Well, the reason I am asking you, Mr. Hogg, is this; that I have before me a copy of your bills, your invoice to a certain householder in Montreal as of January 31, 1933?—A. You see, Mr. Tummon, I am speaking from memory and it is a little hard. If you have a bill from one of our householders it is right, so we will admit that.

Q. All right then, we will take it at that?—A. It is quite all right if you have one of our bills, that is right.

Q. The point I am trying to come at, Mr. Hogg, is this; you can't tell how much of that surplus milk went into sweet cream?—A. It all went into sweet cream, it was all separated.

By the Chairman:

Q. The sweet cream sales?—A. No, I can not tell you; I am not able to tell you.

Q. You are not able to tell that?—A. No.

Q. But there was a certain amount did go out?—A. Yes, we will admit there was, yes.

Q. Supposing you had 45 per cent cream and you wanted to bring it down to 35 per cent, what would you do?—A. Well, you would break it down with milk.

Q. With some of the surplus milk?—A. No, sir, not any of the surplus milk. Now, Mr. Tummon, I want to make myself absolutely clear on this matter. Now, we are not trying to get around anything. I want to tell you that we have lived and done just as clear as we know how, and I don't think that there is anyone that has appeared before you gentlemen yet that has had a smaller amount of surplus milk than we had.

Q. No.—A. That was not all the milk we separated, there are thousands of gallons, off our waggons that is dumped and made into surplus milk. We have never penalized the farmers for one iota of that. This 11·9 per cent of milk that we have separated was the amount that we actually took from them and separated.

Q. All right?—A. Now, I want that absolutely cleared up. I am not trying to hold or do anything.

Q. No, now you have made a nice speech and we are quite satisfied?—A. I feel strongly and if I get waked up there may be a few more, and I want that understood.

Q. I asked you that question because you could not tell me the quantities that went in, and I was trying to find out where that surplus went to?—A. I can't tell you.

Q. And even though you make quite a few speeches like that it is not going to deter me one minute from putting my questions to you?—A. I don't want to, go right to it.

Q. I intend to. You say then, that none of the surplus milk was used for breaking your cream down?—A. Not one drop.

Q. But it was used to be sold as sweet cream?—A. If it was sweet cream and we needed it it would be taken for that, yes.

Q. And if you sold that milk that you made into sweet cream which you sold at 30 to 40 and 50 cents per pint, wouldn't you be making out of that milk just as much as if you sold it as milk?—A. No, sir, we would not, and let me tell you more than that, the milk we skim in our plant and pay the farmers for is the dearest cream that we have.

Q. It might be dearer than what you would buy in the country; that is not answering the question?—A. Sure it is.

By the Chairman:

Q. Just while you are waiting, I would like to know what you pay for that cream in the country, that you buy on a flat or butterfat basis?—A. You mean all the surplus?

Q. The cream that you buy in the country; you pay for it on a butterfat basis I suppose?—A. Yes. In 1932, Mr. Chairman, in January we paid 26

cents; in February 26 cents; in March 29 cents; in April 24 cents; in May 21 cents; in June 20 cents; in July $21\frac{1}{2}$ cents; in August 22 cents; in September $25\frac{1}{2}$ cents; in October 25 cents; in November 25 cents; and in December 25 cents.

Q. The figures you gave show the amount of money that you paid for that cream, Mr. Hogg?—A. Yes.

Q. Can you tell us what you sold it for?—A. Yes, it is right here.

Q. I mean, the cream that you purchased at butterfat, can you tell what you sold it for?—A. Here is the cream sales; we sold in cream $350,892.34.

Q. That is the total of the sweet cream?—A. That was the cream sales.

By Mr. Bouchard:

Q. At what price for the butterfat?—A. That we sold at?

Q. Yes?—A. Oh, at all prices; it all depends where it was going.

The Chairman: That would include sweet cream that you took out of the surplus milk.

By Mr. Bouchard:

Q. Could you make—A. Oh, well, here it is: for all our cream, wholesale and retail, we received 23·21 cents per pint.

Q. Yes, but how does it compare with the butterfats, for instance could you show that by a gallon of cream, 45 per cent—what you call whipping cream?—A. Yes.

Q. What is the retail price for that?—A. Well you see, you sell cream at any standard that the people want.

Q. Yes, I know that?—A. And it would just depend upon the quantity sold, or the quantity taken, what the price would be.

Q. Yes, but at the retail price?—A. At the retail price—what is our retail price on cream.

Q. What would be the price of a gallon of this cream at 45 per cent?—A. You are having us working it down into pints and half-pints, and we would have to work it up.

Q. Yes, it is very easy, give me the pints—or, give it wholesale for the gallon?—A. What is that?

Q. Take a gallon of 30 per cent?—A. We got 23·21 cents per pint, so it would be eight times that.

Q. Yes.—A. That would be $1.84.

Q. $1.84?—A. That would be 40 per cent cream.

Q. How many pounds of butterfat in that?—A. There are 10 pounds of butterfat, about, in a gallon of cream.

Q. In 10 pounds, about 4 pounds of 40 per cent at that content?—A. There is 10 pounds in a gallon of cream.

Q. But how many pounds of butterfat in a 40 per cent gallon of cream—I understand that a gallon of cream is not 10 pounds?—A. It would depend on the density of the cream.

Q. I know that?—A. Yes, perhaps you know more about that than I do, and it would be perhaps easier for you to figure it than for me.

Q. No, you have the figures there, why not work it out?—A. I was ordered, Mr. Chairman, to bring this in pints and half-pints; which I am doing.

Q. Yes, but let us figure about 9 pounds, and if it is 40 per cent cream it leaves at the most 4 pounds—less than 4 pounds of butterfat—of 45 per cent butterfat, let us say, at 25 cents?—A. Is worth what?

Q. At 25 cents that is, about the cost price?—A. It is worth, you say?

Q. Worth 25 cents a pound butterfat?—A. Yes, that would be a dollar.

Q. That would be a dollar, and this cream you sold for $1.84?—A. Yes.

Q. Well, it is more than that, are you sure of your figures.

Mr. MULLINS: Mr. Chairman, would it not be as well for one to examine the witness rather than having everyone jumping up to break in. I don't think it is etiquette.

The CHAIRMAN: Perhaps I am responsible, to begin with.

Mr. BOUCHARD: Then you had better make a quorum of one member, and each will come in turn.

Mr. MULLINS: Yes, come in turns.

Mr. BOUCHARD: We will be fair, and as Mr. Mullins decides, we will come in turn. I do not think I am unfair, I think I am putting proper questions. Are we here only to hear, or to speak. I just put questions. I think we have got along very well since this investigation started, and I thought that I had never intruded in any manner.

The CHAIRMAN: Each member of the committee has an equal right, professor, go ahead.

Mr. BOUCHARD: No, I am not surprised at you at anything, and I am pleased to say—I don't think I have to say it here—that I know something about milk.

By Mr. Tummon:

Q. Mr. Hogg, just a couple more questions and then I am done. I just want to be sure for your own benefit, and for us all, to clear up that surplus milk—in connection with what goes into butetr of that surplus milk you say that you make no profit whatsoever.—A. On what?

Q. On the surplus milk that goes into butter?—A. I did not make any such statement at all, because I do not know.

Q. I see?—A. I could not. The trouble is, Mr. Tummon, that the surplus milk is there; we have got to handle it—we can't use it.

Q. I understand that?—A. So, in order to save the milk we have got to separate it. We would be infinitely better off if we did not have any surplus milk as far as our company is concerned, because we could bing out cream in from the country. We would not be bothered with separating it.

Q. Yes, I agree, but I don't see how it would be hardly possible to run a plant without a certain amount of surplus milk?—A. Oh, you can't do it.

Q. I think your quantity of surplus is one of the lowest qantities of any company that we have had; and due to that fact I wanted to pursue the point that has often been brought to the attention of this committee, that the companies are making more profit out of the surplus than anything else?—A. Well, as far as our company is concerned, that is absolutely beside the fact.

Q. But you would not say, however, that there was no profit on the butter?—A. I would not say, because our statement shows that we had a profit.

Q. And you would not say that there was no profit on what went into sweet cream of the surplus?—A. No, I would not, I would not make a statement of that kind, Mr. Tummon.

Q. Then, under those conditions, there are certain clauses in your statement you perhaps would want to rectify this morning?—A. Perhaps I would.

Q. You said: "we refer to surplus milk as that milk not sold through any of our regular avenues of sale"?—A. Yes.

Q. It was used as sweet cream or in the manufacture of butter?—A. Yes.

Q. "All the milk passed by us as surplus milk is used in this manner and none ever sold to regular profit producing channels"?—A. That is right; of course I would have to rectify that, but I think it is quite easy to read into my statement there, I said "if it was used as sweet cream."

Q. Yes, but that clause: "that all the milk classed by us as surplus is used in this manner and none ever is sold through regular profit producing channels", you remember?—A. Oh, yes, I would not want to—

By Mr. Pickel:

Q. Mr. Hogg, how much sweet cream have you to total milk?

The CHAIRMAN: You mean in what year ?

Mr. PICKEL: 1932.

The WITNESS: We bought in sweet cream 538,453 pounds, and a fraction.

By Mr. Pickel:

Q. What is the price of your 40 per cent sweet cream?—A. What did we pay for it?

Q. No, you sold it for 50 cents a pint?—A. Well, I can't give any details.

Q. At 50 cents a pint?—A. What went in bottles, yes.

Q. What is that a gallon?—A. Two dollars a gallon.

Q. Are there only four pints in a gallon?—A. Eight pints.

Q. How much did that amount to?—A. It is not very hard to say how much that would amount to, that would amount to $4 a gallon wouldn't it?

Q. Yes, what did you pay for it?—A. But when you are counting up that there, you want to take in cream that we sold at $1.40 a gallon.

Q. Well, I am talking about 40 per cent just now.—A. I am talking about 40 per cent, because you see what goes into the bottle trade is only part of our sales.

Q. Mr. Hogg, what would that cost you; what would you pay for that?—A. The average was 24·08 cents a pound butterfat.

Q. What would that be at the gallon?—A. About $1 wouldn't it?

Q. And you sold that for— —A. Well, doctor, don't you think—I believe that you gentlemen want to be fair.

Q. Yes.—A. You don't want to take just one part of the thing—of the story—you want to take it all.

Q. Yes, yes, but I am talking about this particular grade of cream.—A. I understand that, you know this is all going on the record and let us all be fair one with the other. Doctor, here are some figures. This is the number of pints; in retail pints we sold 495,512 pints; and in wholesale we sold 1,018,000 pints, double.

Q. I am just getting at your retail now; I am not questioning your wholesale, Mr. Hogg. Of your X cream, your 30 per cent cream, how do you sell that, by the pint?—A. The 30 per cent cream?

Q. Yes.—A. Where is that account?

Q. In 1932.—A. Well, we have not any 30 now. Yes, here it is; we sell that for 40 cents a pint.

Q. That was in 1932?—A. We have none of 32.

Q. You have none now?—A. We have 10, 15, 30 and 40.

Q. Well, you have 30?—A. Yes, 30.

The CHAIRMAN: The Doctor means in the year 1932.

The WITNESS: Oh, yes, in 1932; yes, that is right.

By Mr. Pickel:

Q. What would that amount to per gallon?

Mr. BOUCHARD: $2.40.

The WITNESS: That would be $3.20 a gallon.

By Mr. Pickel:

Q. What would that cost you?—A. Well, I gave you the list. It cost all manner of prices. It just depended when it was bought, what month it was bought. What month would you like?

The CHAIRMAN: The average.

By Mr. Pickel:

Q. Yes, the average.—A. The average price was—

Mr. BOUCHARD: Twenty-four cents and a fraction.

The WITNESSS: Sweet cream, it cost 23·3 cents.

By Mr. Pickel:

Q. What would that be by the gallon. Figured up by the gallon and as you sell it?—A. Well, the farmer's cost is $1.84, and what we had to get to help theirs out when they were down, cost us 28·2; so that our total butterfat cost was 24·8 cents.

Q. What was your total amount of cream sold?—A. Here it is here, 448,472 pounds of butterfat was sold as cream.

By the Chairman:

Q. Just repeat that, will you please? That interests me. Would you repeat those figures please?—A. 448,472 pounds of butterfat was sold as cream.

Q. Less than you bought?—A. What is that?

Q. That is less than you bought?—A. No, no—yes, it would be.

By Mr. Pickel:

Q. That is in butterfat?—A. That is butterfat.

By the Chairman:

Q. You said you bought 538,000?—A. There were 254,777 pounds of it churned.

By Mr. Pickel:

Q. What is that again, please? How much?—A. 254,777 pounds was churned, made into butter; and there were 15,330 pounds of it on hand over the other year; that is what produced the balance there, that is what makes it balance. We had that on hand at the end of the year.

Q. Are those 538,453 gallons or pounds of cream?—A. Pounds of cream.

The CHAIRMAN: Pounds of butterfat.

The WITNESS: Pounds of butterfat received.

By Mr. Pickel:

Q. That was pounds of butterfat received?—A. Yes.

Q. And you only sold 448,000 pounds?—A. Yes, we sold 448,000 as sweet cream and we churned 254,000.

Q. Just to go back to your table cream, Mr. Hogg, 30 cents a pint, 15 per cent; what does that come to, to get it by the gallon?—A. What does the table cream come to a gallon?

Q. Yes?—A. It comes to $1.60 a gallon.

Mr. MULLINS: What was that?

Mr. PICKEL: 30 cents a pint.

The WITNESS: Oh, you said table cream?

By Mr. Pickel:

Q. Yes, that is 15 per cent cream?—A. The Doctor wants table cream. Is it table cream you are asking about?

Q. Yes, 15 per cent?—A. Well, we are selling that now for $1.60. In 1932, $2.40.

Q. And the cereal cream?—A. We didn't have that in 1932 at all.

Q. What are you selling it for now?—A. 16 cents a pint.

Q. That also was $1.28 a gallon. Will you please tell the committee what you pay for one gallon of 10 per cent cream that you sell for $1.28?—A. Well, according to the figures we have here, we would pay—it would be 80 cents.

Mr. BOUCHARD: Might I interject here, Mr. Chairman, we have to be fair with the witness. It is not paid according to your fat basis in this case, because 10 per cent cream contains some milk.

The WITNESS: Yes.

By Mr. Bouchard:

Q. It is bought with milk?—A. Yes.

Q. 40 per cent cream is bought as cream?—A. Yes.

Q. And 30 per cent cream is bought as cream; but when it comes to 10 per cent cream— —A. And 15, it is expensive milk that is going into it.

Q. Yes, it is bought with the milk.

Mr. PICKEL: That does not make any difference.

Mr. BOUCHARD: It makes a great difference.

Mr. PICKEL: It makes no difference at all; it is sold as cream.

Mr. BOUCHARD: It is bought as milk, because there is no sale of 10 per cent cream on the market. Just be fair to the witness.

Mr. PICKEL: They sell 10 per cent cream.

Mr. BOUCHARD: Yes, but they don't buy.

Mr. PICKEL: Don't interrupt. I am asking what it would cost.

The WITNESS: It has got to be broken down with milk, and I can't just give you this cost.

By Mr. Pickel:

Q. Sure, sure, I understand that.—A. I have not got that.

Q. How many pounds of butterfat would there be in one gallon? You can get at it in that way.

Mr. BOUCHARD: One pound.

Mr. PICKEL: For which you would pay how much? That tells the whole story.

By Mr. Pickel:

Q. There is one pound of cream—one pound of butterfat in a gallon?—A. You see, to make up 10 per cent cream, I must confess I am a little hazy about it, but it has not to be broken down with milk that costs $1.35 a hundred. I am not able to give you that. I might just as well be frank and tell you that I can't give it to you.

Mr. BOUCHARD: I have figured that up for the witness, if you want it.

The WITNESS: If you will.

Mr. BOUCHARD: You have just to take about half of the cream at the butterfat price and figure out a gallon of milk, and you have your price.

The WITNESS: Will you give it to the doctor? You can do that easier than I can.

Mr. BOUCHARD: He does not want to get it.

The WITNESS: Will you give it to me?

Mr. BOUCHARD: I will give it to the committee, and I am prepared to stand by it.

Mr. PICKEL: How much would that cost a gallon?

Mr. BOUCHARD: Just take the price of the gallon of milk—

Mr. PICKEL: Tell us. I am not asking you how it is figured. Tell us what it comes to; that is what I want.

The WITNESS: Give him the information, Professor, because I can't give it to him.

Mr. BOUCHARD: If you want to know, I will give it to you.

Mr. PICKEL: All right, give it.

By Mr. Bouchard:

Q. Can you tell me what is the price of a gallon of milk, fluid milk?—A. We are paying $1.35 per hundred.

Q. Well, that makes 13 cents?—A. Yes.

Q. Figuring 15 cents—about 15 cents—for a gallon of milk?—A. Yes.

Q. And to this gallon of milk you add about—supposing the milk is 3·5, you have to add—that makes 3·10, let us say four. You have to add $\frac{6}{10}$ of a pound of butterfat to the 15 cents which is the cost; that was 25 cents; that makes about $\frac{6}{10}$ of 25 cents, which is about another 15 cents. That makes about 30 cents a gallon.

Mr. PICKEL: About 30 cents a gallon?

Mr. BOUCHARD: Yes.

Mr. PICKEL: On the same basis, what would the 15 per cent cream cost?

The CHAIRMAN: I don't think he heard you, Doctor.

By Mr. Pickel:

Q. On the same basis, Mr. Hogg, what would the 15 per cent cream cost?—A. Doctor, I am going to be quite frank with you, that is outside of my province, and I can't figure it up. Perhaps the professor would figure that up for us, and tell you.

Q. What I want to establish is this, that there is more profit on the cream business than there is in the milk business. That is what I am getting at.

Mr. DUPUIS: Just ask him.

The WITNESS: You see, the turnover is so much smaller, Doctor.

By Mr. Pickel:

Q. Yes, certainly; and for 40 per cent cream which cost you one dollar and you sell for four dollars, there is not much loss in that.—A. I would not like there to be, sir.

Q. I understand, but you admit that is right?—A. Surely I will admit that.

By the Chairman:

Q. Just a question along the cream line, before we start into something else. At page 437, Mr. Hogg, you will see that your cream sales amounted to $350,000 odd.—A. That was for 1932, was it?

Q. That was for 1932.—A. Yes.

Q. Your cream purchases were $99,000 odd?—A. Our cream purchases? Our cream purchases were $99,566.11.

Q. Yes, I was just using the round figures.—A. Yes.

Q. I understood you to say that your sweet cream that was purchased, that is extracted from your surplus milk is either turned into cream sales or butter?—A. Yes.

Q. If you look at your butter sales there, or butter purchases, you will find the figures in that same trading account; your butter sales are there as well?—A. Yes, butter sales were $87,000.

Q. And your butter purchases?—A. Butter purchases, $62,000.

Q. If you add those together, we find that your butter and cream sales amount to approximately $438,000—your butter and cream sales amount to $161,000.—A. What is that?

Q. Your butter and cream sales added together amount to $161,000?

Mr. BERTRAND: That is purchases.

The WITNESS: Purchases.

By the Chairman:

Q. Yes, purchases; I beg your pardon. That leaves a profit or a difference of $276,000. Does that represent your profit on that transaction of cream and butter sales?

Mr. BERTRAND: Yes.

The WITNESS: Yes.

By the Chairman:

Q. Your gross profit?—A. That would be the gross, I suppose.

Mr. TUMMON: No, it could not be.

By the Chairman:

Q. Yet me ask you this, to clear up this whole thing, do you purchase any sour cream for butter purposes?—A. Yes.

Q. Is that included in your butter sales?—A. That is included in the butter sales, yes. Yes, we purchase sour cream.

Q. Is there any great amount, any appreciable amount?—A. 45,950 pounds of sour butter fat.

Q. Which will be worth approximately what, do you know?—A. 20·8 cents.

Mr. TUMMON: You would have to take out of that 11·9 per cent of the fluid milk, because according to Mr. Hogg's evidence, the total amount of surplus milk went into cream and butter. You would have to add the cost of that.

The CHAIRMAN: Yes, I understand that. Now, who is the next gentleman that wants to ask anything?

By Mr. Gobeil:

Q. Did I hear you say, Mr. Hogg, that you are actually paying $1.35 to the farmers for milk?—A. Yes, at the present time.

Q. At the present time?—A. Plus premiums.

Q. Well, never mind premiums; there has been no change recently in the prices of milk?—A. Not any.

Q. Paid to the farmers?—A. The same price.

Q. You don't know of any meeting of the association, of the producers' association and the dairymen?—A. We have had no meeting of the association since I was here last, nor yet has there been any change.

Q. I have here a return from a dairy—I want to say that it is not your dairy, though—from a farmer not very far from Montreal for 3,601 pounds of milk paid for at $1.20, and that is the second part of the month of March. He says in his letter that the milk prices have been changed just recently, that that is the first statement at that price. So you don't know of any change?—A. There has been no change, sir, as far as our company is concerned.

Q. Is it the custom—in your estimation would it be possible for one firm, one dairy, to pay that much less than the others?—A. From what I hear, it is quite possible. That is part of the trouble with our whole business. As I told you in my evidence when I was here the last time, there is about four companies in our city that are trying to stand behind the farmers and maintain prices, and we are doing it at awful odds.

Q. So that is not the association price at the present time?—A. There is no change as far as we are concerned. But I will say this to you, that unless there is some change, there will have to be a change in prices. We can't stand up against what we are being put up against.

Q. What do you mean when you say "unless there is some change"?—A. Well, we know that just what you have read to us is going on. It is pretty difficult for a firm that wants to do different, to stand up against another firm that has a 15 cents a hundred edge on it.

By the Chairman:

Q. Would you tell us the names of those four companies, Mr. Hogg?—A. Yes, I will be quite glad to tell you; the Joubert Company, the Borden Company, the Elmhurst Company and ours. I didn't intend to tell you that, but it is a well known fact in Montreal.

By Mr. Dupuis:

Q. You said actually you pay $1.35 per hundred for milk?—A. Yes.

Q. The price you pay actually?—A. Not for surplus, you understand.

Q. No.—A. But for our regular milk.

Q. For your regular milk; for how long have you been paying $1.35?—A. Since the first of February.

Q. What was the price before, for the same quantity?—A. $1.60. It was $1.60 in December and $1.60 in January.

Q. Just to proceed with a little order, the milk that you buy at $1.35, you sell it to the consumer at what price per hundred?—A. To the consumer?

Q. Yes.—A. Well, it all depends what kind of a consumer it is. We sell it at different prices.

Q. No, your retail?—A. Nine cents per quart.

Q. Nine cents per quart makes how much per hundred? Or if you prefer, just give me the buying price per quart and give me the selling price per quart.—A. ·0370.

Q. You pay 3 cents?—A. 3·70; nearly 3¾ cents.

Q. 3·70, that is the actual buying price?—A. That is the actual buying price.

Q. Now, in 1932—can you give me the buying price in 1932?—A. Altogether for the whole year?

Q. The average, I will take the average.—A. ·0391.

Q. 3·91; and the selling price per quart?—A. For retail milk you want, is it not?

Q. Retail, yes?—A. 10·38.

Q. 10·38 and 3·91. Now, in 1931?—A. I am sorry, I cannot give it to you.

Q. What is that?—A. I can't give it to you. I have not got that.

Q. You have not got anything before 1932; you have not got anything in 1930?—A. No, I have not got anything.

Q. Speaking from memory, could you remember what the price was, the average price for 1928?—A. I can't remember. I have had that much, with this thing on my mind, gentlemen, that I would not venture it. I could only guess.

Q. Give me 1928 or 1929.—A. Oh, here we are. In 1928, here it is; we were paying $2.80 per hundred in December, 1928.

Q. And what was the selling price?—A. 14 cents.

Q. 14 cents per quart?—A. Yes; 8 cents a pint.

Q. Have you got 1929 now?—A. Yes, I think we have. In December we were paying $3.20 per hundred, and we sold milk at 15 cents and 8 cents.

By Mr. Bouchard:

Q. December is the peak month?—A. Yes, December is the peak month.

By Mr. Dupuis:

Q. You have not got the summer price?—A. Yes. In October we were paying $2.80½, and we were selling at 14 cents.

Q. That was in August?—A. No, that was in October.

Q. Now, did you have in these years, Mr. Hogg, four different kinds of cream?—A. No.

Q. Which you are now selling?—A. No; that has all come in later.

Q. What kind of cream were you selling in those days?—A. We were selling 15, 25 and 35.

Q. Could you provide the committee with the price you sold those at?—A. We were selling table cream then at 30 cents—

Q. That means 15?—A. —a half pint; and 40 cents for 25 per cent; and 50 cents for 35.

Q. Practically the same price as to-day, is it?—A. No, we have raised the butterfat.

Mr. Pickel: That is practically the same price as to-day.

The Witness: Practically, yes.

By Mr. Dupuis:

Q. Practically the same price. In 1928 and 1929 you said that the average price, buying price, was $2.80 for summer and $3.20 for winter prices; that is in 1928?—A. In when? In 1928?

Q. Yes?—A. $2.80½ in 1928.

Q. I see; and the summer price, what was that?—A. $2.03.

Q. You said it was what—what was it in 1932, $1.35?—A. In 1932, $1.35, yes.

Q. Now, let us take the year 1928 and the year 1932?—A. Yes.

Q. To make a comparison, and find out how it stands. Did you make just as much profit in 1928 as you made in 1932, average profit?—A. I think we made more profit at that time.

Q. More profit?—A. I am speaking from memory, you know.

Q. You have not got that?—A. No, we have not got that. Those were the banner years, 1928 and 1929.

Q. What is the cause of the difference in prices; could you tell this committee that?—A. The cause of the difference in prices is that there is a world depression on, and there is a world over-production of both butter and cheese.

Q. In 1932 you sell the milk at 10 cents a quart?—A. Yes, 10 cents.

Q. Whereas in 1928 you sold at 15 and 14 respectively?—A. That is it, yes sir.

Q. And the farmer received about approximately $2 more for his milk?—A. No.

Q. Per hundred?—A. No, not approximately.

Q. Well, $1.35 and $3.—A. Yes. That was for the month of December. For the month of December this year he received $1.60; and in the early part of 1932 he got $1.70. He got $1.70 in January, February, March and half of April.

Q. Was the cost of administration and distribution heavier in 1932 than it was in 1928?—A. No; they would be just about the same.

Q. In 1928 you were bound to pasteurize your milk?—A. Oh, yes.

Q. Did I understand you to say when I heard you last, that you made more profit on your cream than with your fluid milk?—A. Well, my reply to that is that the volume is so much less than you can't compare it.

Q. No, but comparatively?—A. I think if you take it comparatively, yes, we made more out of cream than we would out of milk. That would be my opinion.

Q. Just for the benefit of this committee, which is out just to find a way to help the farmers and the consumers, how could you explain on the one hand that you make more profit on cream than on fluid milk, and on the other hand, when you have an extra quantity of milk with which you make cream, you pay less to the farmer? Can you explain that to this committee?—A. I don't know how I could explain that, any more than we paid the farmer infinitely more than he would get in any other way, that is the only thing I can say to that.

Q. But I understand, Mr. Hogg, that the cream that you are selling to the public is made by you?—A. No, no; that is not so. We make cream or butter out of that 11 per cent, or 11·9 surplus that we have; but we don't make any more cream in our plant than we can possibly help. We want to bring our cream in from the country.

Q. Well, that is all right; now, let us come to the fact—you told this committee a few minutes ago that not only were you making cream with the surplus, but that you made cream with what you brought back from the waggons?—A. Yes.

Q. Taking what you brought back from the waggons with the surplus milk, what percentage of all the cream you sell are you making yourself?—A. I can't answer the question, I don't know.

The Chairman: Can you, approximately.

The Witness: I could not give it to you even approximately, I would not venture to guess.

By Mr. Dupuis:

Q. You are doing that a great deal, Mr. Hogg, I don't want you to be kept in too much?—A. I won't, but you would not want me to start making wild guesses at things I don't know.

Q. No wild guesses on the subject?—A. I can't guess, I am not able to; I don't know.

Q. I think any ordinary man that would spend a week in your factory would be able to find out, and you are doing business for your own benefit, and it seems to me that you could tell us?—A. I am not able to tell you, if I knew I would be glad to do it.

Q. Are you making 50 per cent of your cream?—A. No, we don't do anything of the kind.

Q. Less than that, or more?—A. Well, if you want to guess, I would say that we don't make more than 10 per cent.

Q. You just said a moment ago that with the surplus milk you made more than 11·9 per cent?—A. No, I said that we skim 11·9 per cent of the milk that we get from the farmers; that is what I said.

Q. Oh, I see. Have you got in your book how much cream you sell of all kinds?—A. Yes.

The Chairman: He gave that.

By Mr. Dupuis:

Q. Yes, I just wanted to compare both figures?—A. What do you want it in, pounds or gallons?

Q. In gallons, in quantities?—A. He wants it in gallons.

Q. Oh, never mind the quantity?—A. We sold, in our returns, 495,512 pints of cream, and we sell wholesale.

Q. No, no, never mind, I don't want to know that now and mix up both; what I want to come at—you said that this cream, this 495,512 pints is either derived from your returned milk or from your surplus milk, or from cream that you bought from the farmers?—A. Exactly.

Q. Have you got in your book how much cream you bought from the farmers?—A. Yes.

Q. Now we will come to the facts?—A. Here is the pounds of butterfat we bought from the farmers—368,935.

Q. Well, you will translate that into pints?—A. What.

Q. Translate that into pints?—A. I can't.

Q. You have to?—A. You are good at figures, you translate it; the way I have got it, I don't translate it. And then from the factories—

Q. Even if you need the help of my honourable friend we will call in the professor to find out, because it is very important, Mr. Hogg. You said that you were unable to say what are the quantities?—A. No, here, I have got it here—here is the surplus milk; we got 156,214 pounds of butter fat in milk from returns from routes.

Q. Just a minute now, Mr. Hogg. 156—A. 241 pounds of butterfat; and off the milk routes.

Q. Where is that from, surplus milk?—A. That is surplus milk.

Q. Was that the whole of the surplus milk Mr. Hogg?—A. Yes, that is from the surplus milk, and from the milk returned from the routes, 46,331.

Q. That is from the returned milk?—A. And then we bought from factories 169,518 pounds.

Q. Now, I will repeat; from the surplus milk 156,214 pounds?—A. That is it.

Q. From the returned milk, 46,341 pounds?—A. 331.

Q. 331, all right; and from the farmers 169,000?—A. No, no, from factories.

Q. Yes, from the factories from which you bought as cream?—A. We bought it in cream.

Q. 169,518?—A. 518.

Q. Now, if we make a subtraction we will easily find out the percentage of cream that was derived?—A. From surplus milk.

Q. From surplus and returned milk?—A. Yes, if you take 156,241 that will show the surplus milk.

Q. No, I beg your pardon, you got also 46,000?—A. No, no, that was not surplus milk.

Q. But it is returned milk?—A. It is not surplus, it is paid for at association price.

Q. Oh, that is all right; but that 156,241 pounds?—A. Was surplus.

Q. Is derived from the surplus milk for which you paid the farmer a minimum price of what?—A. $1.02 per hundredweight. It averaged $1.02 per hundredweight over the whole year.

Q. And you sold that at $4?—A. Oh, no, no, no, no; what went into butter or what went into wholesale cream, it would all have to be taken in.

Q. Anyhow, let us make the percentage of that cream to compare with all the cream you sold in any form whatsoever; it shows that it is somewhere about 49 per cent?—A. No, no, oh, no.

Q. Well, you have to compare 126,000 with 169,000; about 40 per cent?—A. A little over 21 per cent.

Q. What is that?—A. A little over 21 per cent.

Q. Well, my figures are not the same as yours are; mine show a little over 40 per cent?—A. No, you are wrong, we got in altogether 741,025 pounds, and the surplus was 156,241 pounds; you can't get any 40 per cent out of that.

Q. But, mind you, Mr. Hogg, I want to remind you that you shant put in these figures, the 46,000 which is returned milk?—A. I certainly put it in, because that was the dearest cream we got; we paid $1.35 a hundred for that milk and made it into cream, and paid more earlier in the year; oh, yes.

By the Chairman:

Q. Did you repasteurize that?—A. No, it is all skimmed you know, if it comes back it is not repasteurized. The cream may be repasteurized because it has to travel through the plant.

By Mr. Dupuis:

Q. Let us take your figure that you found out.—A. 21 per cent.

Q. Well, it is a little different from what you said a minute ago—that it was less than 10 per cent.—A. You see, we sold 448,472 pounds, we churned 254,777 pounds.

Q. What was the price of the butter you churned?—A. It was at various prices, you know butter in 1932 went down to 16 cents a pound.

Q. But not the price at which you people sold it to the consumer, you didn't get that price retail?—A. No, we did not.

Q. No sir. Tell this committee what is the price you are selling your own butter to-day?—A. It was 30 cents yesterday.

Q. So, you will admit before this committee, Mr. Hogg, that even the cream that you churned into butter you are not losing money on, you are making money with butter?—A. Very little money.

Q. What profit are you making?—A. I could not really tell you. We are making very little profit on butter.

Q. Yes, but you are making a profit.—A. We hope we are, we want to make a profit on everything we handle.

Q. I know. I just want to state to this committee that as far as I am concerned, I am not here to find out that you are losing money. We are here to find out what is the cause of the state of affairs to-day with the farmers and with the consumers. Of course, we are not here to find out if the cause of these prices is due to the change of government.—A. What is that?

Q. I am speaking to the Chairman.—A. It looks roughly as if we had had $25,000 gross on butter.

Q. $25,000?—A. $25,000 gross on butter.

Q. And what would be the total profit on butter?—A. I could not tell you, I do not know.

Q. You haven't got that in your books?—A. It is on all the business.

Q. Now, I am going to put to you the same questions as I put to many other gentlemen who have appeared before this committee; do you think it is possible in the larger cities like Ottawa, Toronto and Montreal to set the average quantity of milk you need each day?—A. No sir, you cannot tell.

Q. With an average surplus you can't tell, with a reasonable average surplus you can't tell?—A. Well yes, with an average surplus, we can tell with that, yes.

Q. Let us say 10 per cent surplus, could you tell me what quantity of milk you would need for Montreal to-morrow morning?—A. I could not tell you just now, but I would tell you this; that you could not keep surplus milk out of Montreal to-day, I don't care what you did. We have been writing and pleading with our people to hold back and try to shut them off, and have shut them off, and in spite of all that, the darned milk will come in on us, you can't keep it back. And then you will have farmers that you want to shut off, and they will write you the most pleading letters to do the best you can with it, and not to shut them off. That is the difficulty.

Q. Now, Mr. Hogg, I will put to you another question; supposing something might be done in the future in behalf of the farmer, suppose that the proper authority—either the federal, the provincial, or the municipal governments—gave to you dealers in milk the obligations to pay to the farmer a minimum price and get away from surplus milk; suppose that these authorities

imposed that on your people, would you be able to make money?—A. We would welcome anything that would stabilize the business; it is in a demoralized condition.

Q. You know that milk is perishable?—A. Very well I know that.

Q. It is a utility. You are talking about something that is not—it is impossible to stabilize the price of milk, because it is a perishable commodity. But what we want to know is, that if legislation is passed to impose on dealers of milk an obligation to pay a certain price to the farmer, notwithstanding the surplus, if you would be in a position to make profits just the same, in view of the fact that you told this committee you are making money with your cream, more money with your cream than you make with your milk?—A. We are not making more money with our cream than we are with our milk, I explained that to you.

By the Chairman:

Q. Mr. Hogg, how do you know; you told us a while ago you could not segregate these profits.—A. I can tell you, Mr. Senn, I am giving to you all I know just as fairly as I know how. I didn't expect to come before a board of inquisitors that were going to try to trap me into saying something I didn't know anything about. I brought a statement, and this gentleman is trying to lead me into saying something I don't know. I want to be fair with you sir. You gentlemen here of the government have the destiny of this country in your hands. It is for you to say what we are to do, and we here are witnesses, and we are here to do as you tell us to do.

Q. Now listen Mr. Hogg, this morning— —A. Now one minute Mr. Senn, I certainly have some rights here. Now, this gentleman has asked me what we would do and I will tell you a few things before I will sit down. I have seen the governments, both of the Old Country, of the United States and here work into guiding the business of the country. We know that the British government undertook to stabilize the price of rubber, and what a lamentable failure they made of it. Then the United States were going to stabilize the price of wheat and cotton, and an awful cost to the people of the United States; and we ourselves have been guilty—

The CHAIRMAN: Just a minute.

The WITNESS: We, in Canada, we have—

The CHAIRMAN: Mr. Hogg, I ask you to take your seat now. This kind of thing is not going to be stood for in this committee. We are not asking you what other governments in other countries have done, we are here to find out methods.

The WITNESS: I can't tell you.

The CHAIRMAN: Just a moment. We are here to try to find out methods and ways of stabilizing the dairy industry, and if you are asked questions as to what you think of certain methods, you are to answer, and your answer is to be yes or no.

The WITNESS: All I can say is, I don't know.

The CHAIRMAN: We don't want any such exhibitions from any of the witnesses before this committee. We are not trying to trap you or anything else. I will ask you to observe the ordinary courtesies of the committee just as I would ask it of any other witness who is here.

By Mr. Tummon:

Q. Now, let us take your financial statement and your evidence of this morning, and see if we can arrive at something. At page 437, you say that your cream sales—taking your trading account for the year ending 31st December, 1932—your cream sales were $350,892.34.—A. That is right, sir.

Q. And your butter sales were $87,488.78?—A. That is right.

Q. Making a total of $438,381.12. Now then, I presume that following from your evidence you paid for altogether in that, as cream purchases $99,566.11; and butter purchased $62,335. Now, to that you must add 11·9 per cent of your total.—A. The surplus is included in that.

Q. Let us get that right. Do I understand that in these butter purchases of $62,335, that the 11·9 per cent surplus milk is included?—A. Included in the butter and cream.

Q. And then the butter and cream includes all the surplus that went into it, and you say that all your surplus went into these two?—A. Yes.

Q. Very well then.—A. Also with the returns off the wagons.

Q. It is all in that?—A. Yes, sir.

Q. I see, then if we take the cream purchases and the butter purchases, we will include all our purchases, including surplus milk, and including your returns that went into the sale of these cream and butter sales?—A. Yes.

Q. All right. Just a moment, then if you take $438,381.12, and deduct from that $151,901.11, you have the gross profit in regard to that transaction?—A. I presume that is right.

Q. That would make $326,480.01 of gross profits.

Mr. Bowman: No, $287,000.

Mr. Tummon: Yes, $287,000, that is right.

By Mr. Mullins:

Q. Mr. Hogg, I think when you were here the last time, you told us you started in Montreal when you commenced your business?—A. Yes, sir.

Q. With a $150 horse?—A. Yes, I did.

Q. And the capital stock of your company to-day is over $2,000,000?—A. It is a result of that $150.

Q. What is that?—A. It is the culmination of that $150.

Q. That has made the $2,000,000?—A. Rolling up, yes.

Q. Well, do you think the farmers of this country, if these various organizations were building up big credits, that they were getting a fair deal?—A. I didn't get that, Colonel.

Q. Do you think the farmers all down during that time have had a fair deal?—A. I have felt they have, yes.

Q. When you have accumulated such wealth as that?—A. Well, Colonel, let me tell you. I could very easily have done like some of those that were here before you, it could have disappeared just as I have gone along, and there would be nothing at all—there would have been nothing left. It is because we have attended to our business, instead of spending the money as we made it; whether it was great or small, we ploughed it back with the idea of building up the industry, and it has grown to the proportion it is to-day. It is the result of practically half a century of industry.

Q. You said you wanted to leave to the people of this country a high class dairy?—A. I did, yes.

Q. Wouldn't it be a good thing, now that you have all this wealth—you would not tell us the amount of your salary?—A. Yes, I will tell you, because I might just as well; for the last number of years I have been drawing $1,200 a month, that is the amount I have taken out.

Q. And dividends?—A. No dividends, it all went back. The dividends, Colonel, is what this statement shows in building, and whatever goes with it, and with the business as it is to-day; but I have never bled the business.

Q. Having known you for a good many years, would not it be a nice thing now, if you want to help agriculture, and put the good experience you have had to count— —A. You mean I might become a philanthropist?

Q. Wouldn't it be nice?—A. It would be nice.

Q. There are men that have done that. You know the practical farmer to-day is in bad shape, he has not been getting very much for his milk or cream. I do not know a man who has handled cattle who has made the money you have. I remember you when you bought an old cow down around Point St. Charles stockyards.—A. Yes.

Q. I do not know of a cattle man who has accumulated the wealth you have, $2,000,000. Now, wouldn't it be a nice thing, on behalf of agriculture, if you became a philanthropist and helped out those who are struggling along on the farm?—A. I want to say to you, that after I met you the last time, I began to cast my thoughts back over the years, and I can remember very well when you were selling your cattle, and you always took the last dollar out of us that the market would allow.

Q. Mr. Chairman, that is a very good comeback, but it is not a fact. I was most liberal with him, when I knew he was dispensing milk to the babies and children of Montreal. That is not a fact. Also, I know my old friend Dr. McEachern, who bred that horse that started you up, we were associated in business in Alberta.—A. Colonel, I will tell you I will take that back, and I will say—

Q. Thank you very much.

The CHAIRMAN: I think all this is entirely beyond the scope of our reference.

The WITNESS: Before the Colonel sits down, would you allow me to tell him that when he was doing that, he was building, perhaps better than he knew at the time. I don't suppose that he expected that I might be privileged to sit before an august assembly at this time.

By Mr. Bowman:

Q. Mr. Hogg, in glancing over your financial statement, which is filed at page 437 of the evidence—

The CHAIRMAN: You will have to speak pretty loud, he does not hear well.

The WITNESS: I don't hear extra well.

By Mr. Bowman:

Q. In glancing at page 437 of the evidence, Mr. Hogg, you have given to the committee a financial statement of the company, this company; I note from the auditor's statement which appears on page 435 under the signature of Wright & Kingan, that there is this paragraph, "We are informed that as in former years no dividend will be declared." It has been the continual practice of your company not to pay any dividends?—A. It has been, yes.

Q. And continues up to this present moment?—A. Up to the present time.

Q. As a matter of fact, I think you told the committee previously that this company was really your own; it is a closed company, more or less?—A. Well, I control the company.

Q. What is the capital structure of the company at the present time? —A. Well, you have it here, sir.

Q. Would I be right in saying that it is represented by bonded indebtedness of $320,000?—A. Quite right, yes.

Q. Plus $750,000 no par value shares?—A. No, 7,500.

Q. 7,500?—A. 7,500 shares of no par value.

Q. Does that represent the total capital set up or structure of the company?—A. That is just as you see it, yes.

Q. When was the company organized as a joint stock company?—A. As what?

Q. Under the name of the Guaranteed Pure Milk Company Limited?—A. Well, it was organized in 1900 under a provincial charter.

Q. And has continued from that?—A. No, it was reorganized in 1920.

Q. Have you the capital set up when the company was first organized?—A. Yes; it was originally $30,000.

Q. In 1900?—A. In 1900, yes.

Q. $30,000; and was the company organized by the issue of $30,000 of common stock?—A. No. It was $30,000. At that time it was issued at par. It was 300 shares at $100 each.

Q. Were they all issued?—A. Yes, all issued.

Q. And were they all issued to members of your family or yourself?—A. Well, when they were originally issued, there was another crowd that had them. It was started by a lawyer and one other man at the time, and it ran for a little over a year, and it was practically bankrupt at the time.

Q. And you took it over?—A. And we took it over.

Q. You and your family, or nominees of yours, really took over control of the company?—A. We took over control, yes.

Q. That would be shortly after 1900?—A. Well, it was the first of January, 1902.

Q. 1902?—A. And the company commenced operations in September, 1930; it had run from September, 1900.

Q. You mean 1903?—A. No, it began in September or October, 1900, and it ran under the old management during 1931—

Q. You mean 1901?—A. 1901, and we took it over at the end of that year.

Q. Then it was reorganized in 1920?—A. Yes.

Q. At that time what was the reorganization, that is, the capital set up?—A. Well, the reorganization was $500,000 worth of bonds and 7,500 shares of no par value.

Q. $500,000?—A. Of bonds.

Q. That is in the year 1920?—A. That is in the year 1920, yes.

Q. Now, those bonds that were issued in 1920, were the whole $500,000 worth issued and sold?—A. They were all issued, yes, and we have since redeemed $160,000 of them.

Q. $180,000, is it not?—A. $180,000, yes.

Q. In 1920 when that bond issue was sold or set up by the company, I presume that you personally and the members of your family, or nominees of yours, controlled practically all the bonds too, or were there any sold to the public?—A. We didn't sell any to the public, no.

Q. You didn't sell any to the public?—A. No. That was our method of financing our buildings at that time.

Q. And that is the way it continues down to the present time?—A. That is the way it continues down to the present time, yes.

Q. Now, as you have said, that $180,000— —A. There was that amount redeemed.

Q. Have been retired?—A. Retired.

Q. And the $320,000 worth of bonds— —A. Will come due in seven years time.

Q. All belonging to yourself?—A. Now, I don't know that that is a fair question to ask me, because after all, we are getting outside of the company. The company owes those bonds, $320,000 worth of bonds; that is really owed by the company.

Q. Quite true, but the point that I am making is this; you see in examining the statement issued by your auditors, as I pointed out to you a moment ago, you say that no dividends have been paid. But if you have been paying interest on your bonds,—which I presume has been the case, has it not?—A. That is a mortgage on our property.

Q. Yes, but a mortgage to yourself?—A. I don't admit that.

Q. All right.—A. I won't admit that.

Q. Then, would you like to rectify the statement you made a moment ago, Mr. Hogg, that of the $500,000 of bonds issued in 1920— —A. The company have retired $180,000.

Q. Wait a minute; I was not going to ask about retiring; you said a moment ago that of the $500,000 worth of bonds that were issued in 1920, they were practically held by your family.—A. I don't know that I admitted that.

Q. All right.—A. You want to make me admit it, but I don't think—you see, gentlemen, my personal affairs are not under examination; it is the company's affairs.

Q. I think you will find, Mr. Hogg, that I will be quite fair to you in any questions that I am asking. All this committee wants to find out are the facts. —A. Well, those are the facts, that we owe $320,000.

Q. Yes, but the fact is that of the $320,000, I would be safe in saying, would I not,— —A. I think—

Q. Just wait till I ask you the question, and then you will know. I would be safe in saying that the majority of that $320,000 at least belong to yourself or your family.—A. I think I will have to refuse to answer that question because that has nothing to do with the company.

Q. You see, Mr. Hogg, what sort of position you are putting yourself in with the committee, by refusing to answer that. I don't want details, but you have already told the committee that of the $500,000 that were issued in 1920, that the great bulk of it went to you and your family; so what difference does it make if you refuse now to tell us that $320,000 is in the same hands? However, that is up to you. What is the interest rate?—A. Six per cent.

Q. Has this interest rate been paid promptly?—A. Yes.

Q. As it became due?—A. All our bills have been paid in that way.

Q. And how much for instance, did you retire of those bonds in 1932?—A. None.

Q. How much did you retire in 1931?—A. None.

Q. How much did you retire in 1929?—A. None.

Q. In 1928?—A. I can't remember. I don't think we retired any in 1928, but it is some years since those were retired.

Q. Some years since they were retired?—A. Yes. There has been none retired in recent years.

Q. Can you tell us when the $180,000 were retired?—A. Well, at different periods.

Q. Well, can you tell us when?—A. Well, I have not got it. I could not tell you.

Q. The information is on the record?—A. No, we have not it here at all. It would be a matter to go through the books to get it, and I have not got it.

Q. Can't you tell us when the last portion of those bonds that were retired, were retired?—A. To be quite frank with you, I am not able to say. If you asked me to give a guess at the thing—

Q. No, I don't want any guess.—A. Then I can't tell you.

Q. The gentleman who is with you, is he the bookkeeper of the company? —A. Yes, he is our accountant.

Q. Can he tell you when the last retirement of that portion of those $180,000 of bonds was made?—A. If you want it, we will send it to you.

Q. I am asking can your bookkeeper tell you now?—A. All right, give it to him. It does not matter.

Q. Frankly, I cannot understand why there should be any question about divulging these things.—A. Well, all right, I will give it to you. The bonds belong to myself and the Trenholme family. We own the bonds.

Q. It only leaves a wrong impression on the committee, that is all. We want to get the simple facts, and that is all.—A. I don't think you have had any set up before you that has been clearer than our set up has been, not one.

Q. No, we have not quite come to it yet.—A. No, he has not got it, so we can't tell.

Q. You would have no objection to filing with the committee the details as to when that retirement took place?—A. No.

Q. And you will do so. Would we be safe in saying that none of these bonds have been retired, say, in the last five or six years?—A. Quite safe, yes.

Q. Quite safe in saying that?—A. Yes, quite safe.

Q. You said a moment ago to the committee that 1928 and 1929 were the banner years of the company?—A. I think they were. I am speaking from memory.

Q. And it was during the years which were not banner years of the company that you were able to retire $180,000 worth of bonds?—A. Yes, we were. We have made money all down the line.

Q. Then the company is not at such an awful loss as you said a few moments ago?—A. What is that?

Q. You used the words a few moments ago in your examination, in answer to some of the questions that were asked, that the company was suffering an awful loss, at an awful rate, and something would have to be done.—A. Since the first of the year.

Q. Since the first of the year; so that up to the first of the year we can take it for granted that the company has been doing fairly well?—A. Fairly well, yes.

Q. As a matter of fact, your financial statement which is filed at the pages I have referred to, page 437, shows that with this capital set up of $320,000 worth of bonds, first mortgage bonds, plus 7,500 shares of no par value common stock, your company shows a net profit of $138,081.—A. Whatever it shows, I suppose.

Q. Well, am I correct in so reading your statement?—A. Yes, that is right

Q. That is correct; and I presume that that allows for paying all salaries? —A. Oh, everything.

Q. All depreciation?—A. Oh, sure, sure.

Q. Depreciation for bad debts and so forth?—A. The bad debts are charged off.

Q. When these 7,500 shares of no par value were issued in—A. In 1920.

Q. —in 1920, did they issue to yourself and other members of your family? —A. Well, they issued them to myself, my family and to the family of my old partner who started the business with me, whose interests are there.

Q. What were they issued at, how much?—A. Well they were issued at $225,000, that was the nominal value.

Q. In 1920?—A. In 1920, yes.

The CHAIRMAN: That is $30 a share.

By Mr. Bowman:

Q. That is $30 a share.—A. Whatever it is.

Q. At that time they were issued in 1920, as you say, to the partners and members of their families, for what value or for what consideration were they issued to you and your partner?—A. For all the effort that we had put into the business since 1885.

Q. Yes, that is—A. That would be the results of thirty-five years of effort.

Q. Well, that statement would require this qualification would it not, that on top of that there were issued by the company half a million dollars worth of

bonds bearing interest at six per cent which your family also got; I would be fair in stating that, would I not?—A. Quite fair in stating that, yes.

Q. So that this capital se up originally arranged in the year 1900, and subsequently changed in 1920, really represents a closed corporation of you and your former partner and members of your family. Now, you have spent practically the whole of your life in this business, Mr. Hogg?—A. Yes, all my life.

Q. And you say to the committee this morning, that after having so spent your life—and by the way, I think you also indicated that your company was one of the big companies doing business in Montreal?—A. Well, I should say we were one of them, yes.

Q. And you tell the committee, after careful consideration, that you are not able to distinguish the profits arising from the sale of cream and butter, as distinguished from the sale of whole milk?—A. Yes, that is right.

Q. That is quite correct?—A. Our profits are all contained in our balance sheet.

Q. Yes, they are all contained in your balance sheet, but you are not able to tell the committee the details of how these profits are arrived at; by examining the figures at page 437 it might be noted that at least a third of your business—I am putting it that way, I have said that at least a third of your business, it might be, is in the sale of cream and butter.—A. I suppose it is, yes.

Q. Well, if I am not correct, perhaps your accountant could rectify me?—A. I will admit that, that looks to be about it, yes.

Q. And what you want the committee to understand is, that after being in business all your life, and having conducted this business which you state is one of the outstanding companies of its kind in the city of Montreal, you can't tell the committee the profits you make on a third of your business, or the losses, which go to make up a third of it.—A. Yes, our profits were $138,081.53, on all our business.

Q. But you can't tell the committee what proportion of that profit is made up of cream or butter sales?—A. No, I can't tell you.

Q. And you have no way of figuring it out?—A. I haven't anything, no.

Q. Has your bookkeeper or accountant?—A. No, all the labour is charged into one.

Q. And do I understand, after careful reconsideration, that your bookkeeper and your firm have no way of figuring out the amount of profit.—A. Our set-up has not been made in that way.

Q. No, you can't tell what you make out of cream; you can't tell what you make out of butter.—A. No, only very roughly, I suppose, I don't know. It is all run together.

Q. And you cannot tell what you made out of your whole milk sales?—A. Yes, we made $138,000 out of our whole business.

Q. But you can't tell separately?—A. No, I cannot.

Q. Well, I must say that is a very extraordinary state of affairs in my very humble opinion.—A. It is too bad, I never expected to be called on to desiccate it in that way, and for that reason we have not done it.

Q. Well, do you mean to tell this committee, that when you come down to doing business in cream and butter that you only make a guess at it?—A. Well, I tell you we follow as far as the butter market is concerned, we follow the butter market, and we charge a premium for our make over the market prices; that is the way that it has been right at our place.

Q. Yes, but you do not know at all from your record whether or not in a particular month you are making a profit on butter, or making a loss on it?—A. No, I have always run it on the principle that if I had a profit at the end of the year, I was fairly well satisfied.

Q. Yes.—A. But we don't have a cost accounting system in our place. You see, ours is not like a company that is responsible to thousand of shareholders. It is a closed corporation, and if we are satisfied—at least if we have been satisfied—we just carried on pretty much along that line.

Q. Quite true, Mr. Hogg. Still, there are other people to be satisfied, are there not?—A. We never expected in our wildest dreams—I never expected that such a thing as is going on at the present time, would happen to me. I never thought of such a thing.

Q. But after all, the consumer has to be considered, has he not?—A. We are operating in a competitive market, and we have got to satisfy our consumer, or we could not hold our business.

Q. You have got to satisfy the producer, he has got to receive some consideration. A moment ago you stated that one of the big problems of the dairy industry was surplus milk?—A. Yes.

Q. And what to do with it?—A. Yes.

Q. And how to get out of it insofar as you are concerned, and at the same time, to allow the farmer a reasonable price. Well, can you tell the committee, Mr. Hogg, if that is the case,—and I think it is generally admitted to be such—can you tell the committee how much money you make out of your sale of whole and fluid milk, as separated from the rest of your business?—A. No, I can't give it to you.

Q. Well, that is an extraordinary state of affairs.—A. It is so, but there it is; I can't give it to you.

Q. And then, so far as you personally are concerned, you are not in a position to throw any light on this question that this committee is investigating with respect to the spread between what the producer is paid, and what is charged to the consumer for fluid milk?—A. Yes, I think we have given you those figures.

Q. You have not given us the figures of that spread.—A. Yes.

Q. But you say, so far as your company is concerned, you don't know what your profit is?—A. Yes, I do know what our profit is, it is this $138,000.

Q. Just a minute now, on fluid milk, not on the whole operations of the company.—A. I have not, no sir; I can't give it to you.

Q. You can't give it to us, all right. Now then, have you the value of the company's assets at the present time?—A. No, we have not.

Q. Roughly, what would you figure them at?—A. Oh, all our assets, well—

Q. You might likely have them there.—A. Yes, we have.

Q. Oh, you have them?—A. Our statement shows it.

Q. Your statement shows it? I have your statement here, perhaps you will tell us.—A. Our surplus is $2,020,262.72.

Q. Your surplus is a little over $2,000,000?—A. Yes.

Q. Would I be fair in saying this: deducting from that $2,020,000 the $320,000 outstanding for bonds, you would have left $1,700,000 odd, as the value of your par value shares?—A. Our shares are not par value shares, they are no par value.

Q. I said no par value.—A. Yes.

Q. Would I be safe in saying that that was correct: that the value of your $750,000 no par value shares is the difference between $320,000 and $2,020,000?—A. I suppose that would be a fair deduction.

Q. Yes, and the fact that your company have not paid dividends does not by any means indicate to this committee that they have not been doing business at a profit?—A. No, I maintain that we have been doing business at a profit.

Q. Now, your profit at the end of 1932 was, as you said, $138,000 odd net.—A. Yes.

Q. What was your profit at the end of 1931?—A. $177,000.

Q. In 1930?—A. At the end of 1931.

Q. And at the end of 1930?—A. I haven't got it, only have the two years.

Q. You only have the two years, I presume you could leave with the committee details of your profits for 1928, down to the present time?—A. We were told we only had to bring for 1931 and 1932.

Q. Yes, but I am asking you, you could leave with the committee information as to your profits for the years 1928, 1929, 1930.—A. We haven't got them here, I could not give them to you here.

Q. You haven't got it to-day, but you could get it for the committee?—A. We will send them to you, yes.

Q. You will send them?—A. Yes.

Q. The profits which have been shown in the year 1932 are arrived at after making certain allowances?—A. Yes.

Q. And the first item at page 438, if you would not mind referring to it, Mr. Hogg, the first item is $37,800, administration; what does that mean?—A. I myself get $14,400.

Q. Yes?—A. Mrs. Trenholme gets $14,400.

Q. Yes?—A. My son gets $4,500, and my nephew gets $4,500.

Q. How much?—A. $4,500.

Q. Yes, that makes up the total of $37,800. Is Mr. Trenholme in the business?—A. Yes.

Q. He takes an active part?—A. You mean the Mr. Trenholme that I gave you?

Q. No, no, I mean your nephew.—A. George Trenholme—you mean the $14,400, that is Mrs. Trenholme, the widow of my old partner.

Q. She does not take an active part in the business?—A. She is a director of the company.

Q. How many directors have you in the company?—A. Five.

Q. Who is the fifth?—A. My wife.

Q. Does she get any director's fees?—A. No, none whatever.

Q. And can I take this, that Mrs. Trenholme as a director of the company receives $14,400?—A. Well, you see, as I told you, ours is a closed corporation, and as long as Mr. Trenholme lived, we just drew an equal amount. At his death, she just continued to draw the same amount as he had been drawing, and when I got an increase, she got an increase too.

Q. That is because of past relations?—A. Exactly.

Q. Between the two families?—A. Yes.

Q. And the $4,500 paid to your son and to Mrs. Trenholme's son, is that paid for services rendered to the company?—A. For their whole time.

Q. I see, what offices do they occupy in the company?—A. My son is in charge of the plant, and all purchasing. My nephew is in charge of our northern branch, the big branch that we have. Their whole time is given to it.

Q. They are carrying on in the footsteps of the parents.—A. I would like to think they would be the successors.

Q. Which is a very laudable desire. Now, I see down in the account you have an item of $10,855.43, for customary allowances; just what is that?—A. Now—I can explain it myself—all our milk is charged out at full prices, but we have got to make allowances for hospitals and certain charities, certain donations to churches and all that goes with it, while in order to balance our account we have to set up this amount because all the milk is charged to our books at the full prices—customers' allowances—everything is charged.

Q. What portion of that would be customers' allowances?—A. The whole thing.

Q. Customary?—A. It is "customers," is the right word.

Q. Well, the reason I asked that question is, you said something about donations, and so forth.—A. Oh, well, I will tell you it is put in this one by error, it was put in "customary" allowances; and it should be "customers" allowances.

The CHAIRMAN: There is a short item, the one next to it.

Mr. BOWMAN: What did you say, Mr. Chairman?

The CHAIRMAN: There is another short item next to it.

By Mr. Bowman:

Q. Donations—oh, yes, $2,100.—A. What is that? Well, we donate to the federated charities of the different—some of our own and some to Catholic charities, and some to hospitals and Salvation Army—they all have lists and they come to you and you make donations.

Q. Then further down in the list you have, "Less depreciation allowed by Dominion government."—A. What is that?

Q. Less depreciation allowed by Dominion government, $78,023.27.—A. Yes. That is really the depreciation as allowed by the government. Machinery, 15 per cent.

Q. The amount—do you know the amount?—A. I have not got that. May I speak on that; our depreciation is taken exactly as the government allows it; if $100,000 is the depreciation on an article, we can't take any more. So those are only the amounts that were absolutely allowed by the government to be taken off.

Q. Quite true. We want to know what they are, for purposes of comparison.—A. We have not got that in detail, but they total up to $78,023.27. If we take the year before, we could tell approximately what it was.

Q. Tell us what it was for the year before?—A. Well, it was around $78,000 also.

Q. Give us the items?—A. $70,103.

Q. Give us the items, please?—A. Well, on machinery, 15 per cent.

Q. Yes, but how much?—A. We have not got that. We can't give you that.

Q. I thought your book-keeper said if we took 1931— —A. We took off the same, approximately each year, so that if you take the different items, this year $78,023, and last year it was $70,103.

The CHAIRMAN: Are you nearly through, or shall we come back at 3.30?

Mr. BOWMAN: I have not got an awful lot, unless the committee want to get further details in connection with it.

The CHAIRMAN: If you think you can finish in a few minutes, we will go on.

Mr. BOWMAN: Well, I will try.

By Mr. Bowman:

Q. Give us the percentage; we want that for comparison.—A. Buildings, 2½ per cent; horses 15 per cent; rolling stock, 15 per cent; containers, 20 per cent; furniture, 10 per cent; cans, 20 per cent; and motor trucks, 25 per cent the first year and 20 per cent the second.

Q. Those are the details?—A. Yes. Then we have a good number of the above items that have been fully depreciated, so that we can't take anything off them.

Q. So that $78,000 indicates the depreciation, shall I say, on the majority of your property, not on it all, but on the majority?—A. Well, yes, I would say it did.

Q. On what has not yet already been 100 per cent?—A. Yes. We are in a new plant, and it was fitted up very largely with new machinery, so that it makes the depreciation larger than it will be as you do down the years.

Q. And your plant is 100 per cent up to date?—A. I would like to think so; we hope so.

Q. Well, you would not like to say it was only fifty?—A. No. I don't want anything that is slipping.

Q. That is, in your opinion your plant is— —A. Is in good order.

Q. Have you got the accounts set up—a surplus account set up for depreciation?—A. Yes.

Q. What does that amount to?—A. $483,489.14.

Q. What is that surplus for?—A. Well, that is set aside for depreciation on our different property.

Q. Then, for bad debts?—A. Yes.

Q. What have you set up for depreciation for bad debts?—A. That is included in that, $5,000, which I might say is not enough these days.

Q. You have bad debts written off in the 1932 statement amounting to $7,828?—A. Yes.

Q. We had a company that was doing a much smaller business before us, whose write-off for bad debts was $18,000 for one year and $19,000 another year.—A. Our practice is, and always has been, only to write off what is absolutely lost.

Q. You have an item there for good will?—A. Yes.

Q. Do you carry a good will depreciation account?—A. No.

Q. The good will of the business at the present time is set up as $20,000? —A. Yes.

Q. When was that first set up?—A. I think in 1920. Yes, in 1920.

Q. I should imagine it would be 1920, because at that time you had your new organization, and you issued the whole of your non par value shares at 7,500. I notice that in addition to the depreciation that you have just referred to of $78,000 odd for the year 1932, that you have a further depreciation, on page 437, for bottle depreciation and loss, $15,016.04?—A. Yes, that was the amount that our bottle bill cost us in 1932.

Q. That was the actual cost?—A. Yes.

Q. During that year?—A. Yes.

Q. So that can you tell me what rates, in your depreciation which is carried forward to the surplus depreciation account, do you charge there on bottles? —A. None at all.

Q. None at all?—A. No. It is set up on our general statement at $10,000. Bottles, $10,000. That is just a fixed amount.

Q. Well, I suppose that is just a nominal figure, is it not?—A. Yes.

Q. As a matter of fact, what roughly would you say your bottle inventory would be?—A. Oh, it ought to be somewhere between—anywhere from $12,000 to $18,000, I should say.

Q. That is, it would be about the amount of your depreciation over the year?—A. Yes, I think so.

Q. You figure that it takes in a year— ——A. That was the actual amount we spent for bottles.

Q. Yes?—A. That is last year.

Q. And that represents your capital investment in bottles, approximately $15,000?—A. Approximately, yes.

Q. In other words— —A. You see we have made a reduction this last year because after we went into our new plant—the bottle bill was much heavier owing to breakage, in the old plant.

Q. Yes, in other words then, your loss from depreciation, breakage and so forth, equals about what your capital investment in bottles would be in any current year?—A. Just about, that is the way we figure it.

By Mr. Bertarnd:

Q. Just one question. You have declared an answer to Dr. Pickel on March 15 that you were not making ice cream in the Guaranteed Pure Milk company, but that you own a subsidiary company.—A. We do, yes.

Q. What is the name of the company?—A. The Purity Ice Cream Company.

Q. Are we to understand that the Purity Ice Cream Company is owned by yourself?—A. No, we control it, but we have a large number of shareholders.

Q. The shares have been sold to the public?—A. Yes, I might say that Purity Ice Cream was originally started—at least the majority of it—by an American company who came in there, and I bought out their interest in the company.

Q. Consequently you own the greatest part of it?—A. We own the control of it.

Q. Are the same directors of the Guaranteed Pure Milk Company the directors of the Purity Ice Cream?—A. No, I am myself, and my son is one, that is all.

Q. The others are different directors?—A. Yes, different people, yes.

Q. I suppose you receive a salary for being a director of that company also?—A. I do not.

Q. There are no salaries paid?—A. No, I will tell you this, we had one directors' meeting last year, and there was a fee of $10 passed, and on looking it up, I went and didn't get any fee I was the president, and I didn't get any fee.

Q. Is this company making any profit on this operation?—A. Well, it did until last year, but the government undertook to impose a sales tax on us, and it took the profits this year—it was a bad year anyway.

Q. I don't want to be very long, but I just want to ask if you are selling some of your surplus milk to that company?—A. No, not one drop.

Q. Are you selling cream to it?—A. Selling both milk and cream to it.

Q. Selling them cream and milk?—A. Just so that I may clear that up in a few words, the Purity Ice Cream, for the milk they get, pay from 5 to 7 cents a gallon over the association price to us, and for cream, we charge them 4 to 5 cents a pound over what we pay for it.

By the Chairman:

Q. In other words, you are just acting as a collecting agency for them?—A. We are selling to them, they are our customers.

By Mr. Bertrand:

Q. On that point I will not push any further. You also own a farm?—A. I do.

Q. I suppose you are very proud of your farm?—A. I am, that is my recreation.

Q. Would you tell us how many acres you have on your farm?—A. Yes, I have about 180.

Q. You have, I understand, about 70 head of cattle there?—A. Yes, I have at the moment—I was counting the other day—there are 62.

Q. Well, I wasn't very far off. In your last year of operation, 1932, have you made a profit on your farm operations?—A. Well, I think—I know that the last time I was there—

Q. I don't think so. A. Some gentlemen here asked me that, and I told them that if I was depending on the profits on that farm, I would have had to walk to Ottawa.

Q. May we ask you how much you lost on its operation?—A. What is that?

Q. What were your losses in operation?—A. I really can't answer that question.

Q. Are you buying milk from that farm for the Guaranteed Pure Milk Company?—A. We buy milk for our certified milk trade from that farm.

Q. How much?—A. I don't know, very little. It is dying away. I was about 200 last year.

Q. What price are you paying for the milk from your farm?—A. For certified milk, we pay them 18 cents, and we sell that certified milk at 25 cents a quart.

Q. And for the other milk?—A. The other milk is sold out in the district where the farm is.

Q. It is not near Montreal?—A. No, it is not very near to Montreal.

Q. And for what purposes are you disposing of that milk?—A. To the summer residents out in that district.

Q. At what price?—A. At the regular prices.

Q. What is the regular price?—A. Nine cents?

Q. Per quart?—A. Yes.

Q. And in spite of selling your milk at 18 cents for certified to the Guranteed Pure Milk Company and retailing the balance at nine cents a quart locally, you still show a loss on your 1932 operation?—A. Well, I want to tell you when I see that farm, it is merely on Sunday afternoon that I see it. Now, when I was a successful farmer as a young man, I was on my feet at 3.30 in morning, and I was there all day long. When you are raising certified milk, you know all the things you have to do, that is an expensive proposition; as far as certified milk is concerned, if we got 40 cents a quart for it, it would not pay.

Q. Following your observations, if you were on the farm to-day getting up in the morning, do you think you could produce milk at to-day's prices and make a profit?—A. You are leading me.

Q. You are leading me to that question.—A. I can't answer.

Q. Do you think that farmers could go on producing milk at prices they are receiving at the present time?—A. I don't think they could.

Q. Can you make any suggestion, as a practical man, and a farmer, and also as a distributor of milk, to deal with the different problems? Would you, for the welfare of the farmers and everybody concerned, be able to suggest anything to this committee that could help us to bring stabilization?—A. One of the first things I think wants to be done, as far as our own city is concerned, is to make the men who are taking milk into the city, provide a bond. We talk about the amount that I show in our statement here, the farmers have lost that many times around Montreal, and I remember—

Q. We know that.—A. It is scandalous the amount of milk that comes in there that is not paid for. I had one decent old farmer come to me last summer and he had put into one plant 36 eight gallon cans of milk, and he got $2.

Q. That is avoiding the question, Mr. Chairman.—A. How avoiding it?

The CHAIRMAN: That is one suggestion.

Mr. BOWMAN: A very good one too.

By Mr. Bertrand:

Q. If we could get at it, we know it is a total loss, and we want to stabilize it so that it would be profitable. The condition he is referring to means a total loss. It would help the committee if you have any suggestion to make that would help us to meet the situation.—A. You know the Chairman called me down for making speeches, and I am not going to start now.

Q. I think, Mr. Chairman, if this gentleman could make a practical contribution to the solution of our difficulties.—A. That would be a matter for conference, let me tell you, and if I could be of any assistance to the industry, I will gladly serve. I would do anything I can.

Mr. BOUCHARD: That is a good suggestion.

WITNESS: We have got to sit around the table and discuss the question.

By Mr. Pickel:

Q. Just one question, Mr. Hogg: I see there is an item down here in your statement under investments of $860,195.69; what are the details of that?—A. Well, the details of that are, that we have that invested in government bonds, various kinds, and municipal bonds.

By the Chairman:

Q. That is from your surplus account?—A. Yes, that is the surplus account.

By Mr. Pickel:

Q. Have you no suggestion to make, following the questions by Mr. Bertrand, as to any manner or means of intelligently controlling the milk supply in the city of Montreal?—A. Well, doctor, let me tell you—you know when a man comes here and he faces a committee of this kind—you know it is not done without your blood rising just a little—you are not thinking very calmly at a time like this, and you know it has been a little difficult on a man like me. I have tried to run my business along decent honest lines, and none will say that we have not paid the farmers what we agreed to. We have not taken any short-cuts. I have the interest of the farmers very much at heart, doctor, and if I can be of service I will be glad to sit in with any of your gentlemen who have something to work out, and if I can furnish anything it will be gladly given. I quite admit that the condition of our farmers is deplorable, and it is too bad. You see butter again yesterday down to 30 cents. My God, what is it going to be; and milk flooding into the market. We cannot keep it back.

The committee adjourned to meet Wednesday, April 26 at 3.30 p.m.

APPENDIX "B"

Information as asked for from Mr. George Hogg, President of The Guaranteed Pure Milk Co. Limited, Montreal, by the Select Committee on Agriculture and Colonization, House of Commons, Ottawa.

Please refer to *Minutes of Evidence*, March 16, 1933.

Page B. 6—

The average price we paid per hundred pounds for all milk other than surplus in 1932 was $1.525.

The above includes premiums.

The average price we paid per hundred pounds for all surplus milk in 1932 was $1.02.

The above includes premiums.

The net price per quart the milk cost us at association prices in 1932 was .0391 cents.

The above includes premiums.

Page B. 7—

There are 38.83 quarts in one hundred pounds of milk (based on 10.31—10.32 specific gravity).

Page D. 1—

Three out of five of our Directors devote their full time performing duties on behalf of the Company.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 26, 1933

No. 22

Reference,—Milk and Milk Products

WITNESSES:

C. M. Ruttan, President and General Manager, City Dairy Company Ltd., Toronto.

B. H. Thorne, Regional Accountant, Bordens' Limited.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,
Wednesday, April 26, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Carmichael, Fafard, Gobeil, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Pickel, Rowe, Senn, Spotten, Swanston, Stirling, Tummon, Wilson.

C. M. Ruttan, president and general manager of City Dairy Co., Limited, Toronto, and B. H. Thorne, regional accountant, Bordens' Limited, were called, sworn, examined and retired.

Witness Thorne to file certain further evidence.

The meeting adjourned till Thursday, April 27th, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,
April 26, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Senn presiding.

The Chairman: Gentlemen, the committee has met for the purpose of hearing Mr. C. M. Ruttan.

Charles M. Ruttan, called and sworn.

By the Chairman:

Q. Will you give your full name and your position to the committee?—A. Charles M. Ruttan, president and general manager of the City Dairy Co., Limited, Toronto.

Q. Have you a statement to make?—A. Yes.

Mr. Chairman and Gentlemen: You are seeking to determine whether the price received by the producer of milk can be increased and whether the spread upon which the distributor is working and, consequently, the cost to the consumer is fair and reasonable.

It is obvious that if it were simply a question of calculating the cost of producing milk our problem would be easily solved. An accountant furnished with records of a number of average farms could readily find the answer. But, unfortunately, such a calculation does not answer our problem. What then is preventing our arbitrarily setting a purchase price that will give the producer a reasonable profit on his labour and investment? To that price we might add so much for distribution costs and profits and settle this matter offhand. Certainly no one would deny the producer or distributor a reasonable return on his investment for it is a fact that, "Without profits there can be no prosperity".

Then, wherein lies our difficulty? Is it not clear that the interests of the producer, distributor and consumer are regulated by the law of supply and demand, which we oppose if we arbitrarily attempt to fix a purchase price for milk.

For example, let us suppose we draw a circle with a thirty-mile radius around a certain city and say that only producers living within that circle may ship to that city, and that we will establish a price of $1.50 per hundred for milk delivered at the city plants.

From outside that circle we decide that the producers must ship to cheese factories. To-day 77 cents to 80 cents per hundred is the price prevailing for cheese milk in Western Ontario. Do you suppose producers outside that circle would be content (if it cost them only 30 cents to have their milk delivered in the city) to see their neighbour within the circle receive $1.20 net per 100 pounds while they receive 80 cents net, a difference of 40 cents per hundred or actually 50 per cent. I do not think so, at least not until they had satisfied themselves by experience that hold-backs, the maintainance of a level supply and compliance with Medical Health Regulations accounted for that difference. And, when there may be many more producers outside the circle than inside, their voice will be heard and they will demand their rights—they pay taxes on the fine highways that pass their farms and consider they are entitled to use them to their advantage.

In other words, gentlemen, we get back to the application of the law of supply and demand.

I believe it is an accepted fact that notwithstanding the present low price milk has maintained a higher relative value than all other farm products in Ontario. It, consequently, would not seem to be advisable to attempt to curtail the production of the best paying products of the farm in order to adjust supply to demand.

The alternative is to do what we can to increase the consumption of milk and milk products and eliminate controllable factors that tend to lower the producers' price. I would suggest close co-operation between producers and distributors—united action in advertising the value of milk for what it is—the greatest food value that money can buy. The fact that times are hard should increase the consumption of milk and would do so if the public generally had confidence that they were getting value and not given the wrongful impression, through contentious publicity, that they are paying too much.

In Toronto the rapid decline in milk prices, during the past two years, caused friction between the producers and distributors because of a misunderstanding of the fundamental principles underlying the decline of commodity values. Nevertheless, the principal distributors, in an endeavour to co-operate with the Producers' Association, maintained a buying price that simply enabled cut-price distributors to avail themselves of the cheaper milk offering and seriously impair their volume of sales, thereby increasing distribution costs.

The question is frequently asked why consumers' prices have not declined as much as prices received by farmers. As a matter of fact, in most cases, the consumers' prices in cents per quart has declined more than the buying price of fluid milk. In other words, distributors are operating on a narrower margin than they did a year ago.

Since labour is the largest factor in the cost of distributing milk, when prices decline there is a lag in the dealer's ability to reduce distributing costs. That is, wages can only be reduced as the general wage level declines and, as is familiar to all, this is a slow process. It is this lag in wages which is the chief cause of the agitation directed at distributing costs. The fact that the lag works in the opposite direction when prices are advancing is generally overlooked by everyone except the wage earner.

It was only by increased efficiency that the distributor was able to absorb these increased costs without widening the margin. Now, with the decline in prices, the lag in the distributor's margin receives much attention from producers.

This phenomenon is not limited to milk alone; it is common to the prices of all products.

If these relationships were thoroughly understood there would be much less dissatisfaction on the part of producers and consumers alike. A peculiar viewpoint has grown up in regard to milk prices. The question is often asked what percentage of the consumer's dollar does the farmer receive for milk. The false assumption is made that the retail price of milk is the starting point; that the distribution costs are deducted from this and the rest is returned to the farmer. Actually, the reverse is true. The starting point is the buying price of milk in the country, which, in the long run, must be determined by basic prices of milk on alternative markets such as condensaries, cheese factories and creameries. To the manufacturing milk price must be added certain essential differentials which cover superior quality, seasonal uniformity of production, nearness to market, etc. To buying price is added freight and distribution costs. The result is the retail price which is kept at a minimum by competition.

Legitimate distributors are constantly striving to reduce the costs as rapidly as conditions will permit. This is good business on their part because any

inefficiency which results in widening the spread tends to invite new competition and loss of trade. The inevitable lag in the decline of distribution costs does not, however, tend to lower the price paid to producers for milk.

It was not until the formation of the Ontario Whole Milk Producers' Association in 1932 that the organized producers fully realized that their interests and the distributors' interests were identical. The result has been a combined study of the entire situation on the broadest lines, the outcome of which has been the following proposal which I personally believe is workable, having, as it does, due regard to the law of supply and demand and, therefore, avoiding discrimination as between factory and city shippers and at the same time ensuring the city shippers of adequate compensation for the production of a level supply of milk and for the cost of complying with Medical Health Regulations.

These proposals are as follows:—

1. Producers who have a market in the city would not in future sell any milk to any other than their regular distributor—milk not required for use on their farms would be shipped as surplus to their regular distributor, thereby keeping their surplus from competing with their milk sold for street sales.

2. There would be no hold-backs. Distributors who are able to handle any surplus shipped by producers would do so. Those unable to handle surplus, as is the case with many small distributors, would arrange for some other distributor or creamery to handle this surplus.

3. There would be control of the truckers by a joint committee, composed of representatives from the Producers' Association, the distributors and the Truckers' Association to ensure that truckers would not carry surplus milk to other than the regular distributors.

4. So as to give the producer control of their members a form of contract would be agreed and the assistance of the Civic authorities sought to ensure that only producers who are members of the association would be permitted to ship milk of the required standards to distributors.

5. A range of prices would be set:—

(*a*) The top price for all milk sold as fluid milk.

(*b*) A manufactory price for milk required for ice-cream manufacture, standardizing, etc.

(*c*) Butterfat price for all milk used for the manufacture of butter.

6. Zoning would be considered with due regard to the interests of all regular licenced city shippers.

7. Bonding of all buyers and sellers of milk and milk products is considered essential for the protection of the producers.

8. Auditors (acceptable to both producers and distributors) would be appointed to examine the distributors' records to determine the proportions of milk sold for street sales, for manufacturing purposes and as butter so that each shipper to a dairy would receive a blended price based on the exact proportions used for each purpose. In arriving at the blended price consideration would have to be given to the quota allowed each shipper as compared with the fluctuation of his surplus.

It will be apparent that the above plan will tend to prohibit surplus milk from coming into competition with the top price milk. If this can be made 100 per cent effective our problem is solved.

In regard to our own business, our records show that we paid to the producers an average price of $1·505 per hundred for all milk used for street sales during the year 1932.

We operated on a net spread of 5·36 cents per quart and made a net profit of ·27 cents per quart. In other words, if we had paid 10½ cents per hundred more, our fluid milk operations would have resulted in a loss.

I have to submit certain records which I understand you require.

The CHAIRMAN: Now gentlemen, Mr. Ruttan has given us his statement, are there any questions based on it.

By Mr. Bowman:

Q. Mr. Chairman, might I ask Mr. Ruttan if it is his intention to go into the financial structure of the company; I note that Mr. Thorne is with him.—A. No, I would ask that Mr. Thorne be permitted to do that, as he is entirely familiar with it.

Mr. BOWMAN: Well, if the committee have no objection, I would like to examine Mr. Thorne at the present moment with regard to the financial structure of the company.

The CHAIRMAN: If the committee are agreeable, I understand Mr. Bowman has not long to remain with us. If the committee are agreeable we will ask Mr. Thorne to take the stand.

Mr. THORNE, recalled.

The CHAIRMAN: Mr. Thorne, you are already sworn, so that we will take your evidence in that way.

By Mr. Bowman:

Q. Mr. Thorne, I trust you are in a position to give us as clear a statement as you previously presented with respect to the Ottawa Dairy. Would you mind, Mr. Thorne, first of all telling us your position with the City Dairy?—A. Regional accountant of Borden's Limited.

Q. You are the regional accountant?—A. Yes.

Q. And, as you have told us previously, occupy that position with respect to a number of subsidiary companies of Borden's Limited?—A. Yes.

Q. The head office of the parent company being in New York?—A. The head office of the City Dairy?

Q. No, the head office of the parent company.—A. Of the Borden Company, yes.

Q. City Dairies, Limited, that is, I understand, the correct name?—A. City Dairy Company Limited.

Q. City Dairy Company Limited?—A. Yes.

Q. When were they originally incorporated?—A. June, 1900.

Q. What was the capitalization at that time?—A. I only ran back to 1921, Mr. Bowman, on that, I haven't the original figure at 1900.

Q. You have not the original figure at 1900?—A. No.

Q. You could let us have that?—A. I could supply that.

Q. You might give us that. Was there a reconstruction at that time, in 1921?—A. I merely stated at that point, and traced down the capital structure —increases or decreases.

Q. All right, will you start then in 1921?—A. There were issued 5,650 common shares of a par value of $100, or $565,000; and 7,000 preferred shares of a par value of $100, 7 per cent cumulative, or a total of $700,000.

Q. Yes, and were they all issued?—A. All issued, those were all issued shares.

By the Chairman:

Q. Both common and preferred?—A. Both common and preferred, yes.

Q. Might I ask, just as you are going along, Mr. Bowman, was this a change of ownership or a reconstruction?—A. This is prior to the change in ownership.

By Mr. Bowman:

Q. And at that time you say all the preferred stock was issued, the whole 7,000 shares?—A. Yes.

Q. Was there at that time any sale to the public?—A. There was nothing issued between 1921 and 1924, I merely start with 1921 as the opening date.

Q. Yes, I see; at 1921 there was issued 7,000 preferred shares?—A. That is correct.

Q. And 5,650 shares at a par value of $100?—A. Yes.

Q. What was the authorized capital at that time?—A. 10,000 preferred shares, of a par value of $100, and 10,000 common, of the same par value.

Q. Yes, now, what is your next step after 1921?—A. March 27, 1924, the common shares were reduced from a par of $100 to a par of $25.

Q. Yes?—A. That left the money capitalization entirely the same, except the common shares increased 421.

Q. The common shares then became 22,600?—A. Correct.

Q. Yes. Just a minute now, did the preferred remain the same?—A. They remained the same. On June 10, 1927, there were 500 shares of common stock of the new par value of $25 issued to Mr. W. J. Northgrave as a recognition of 25 years' service.

Q. 500 shares?—A. 500 shares.

Q. To Mr. Northway?—A. Northgrave.

Q. Who had been associated with the company 25 years?—A. With the company 25 years.

Q. Making outstanding 23,100 of common stock of a par value of $25?—A. Correct. Now, on October 21, 1927, there was a change in the capital structure, sort of a reorganization of the entire 23,100, $100 common shares of a par value of $25, were converted into 92,400 shares of no par value.

Q. Yes.—A. The preferred shares remained as before.

Q. Yes, remaining as before, at 7,000?—A. Yes.

Q. That was October 21, 1927?—A. That is right.

Q. Yes, so that the 5,650 shares to which you have previously referred, issued in 1921 and having a par value of $100, is now in October, 1927, by the addition of 500 shares,—which you have already told us were issued to Mr Northgrave—has now become an issue of 92,400 shares.—A. That is correct.

Q. Yes, the next step.—A. On September 10, 1930, the City Dairy Company Limited became merged with the present Borden's Limited.

Q. September 10, 1930?—A. 1930.

Q. Yes, at that time the capitalization is as we have assumed it to be 92,400 shares of no par value, plus 7,000 cumulative 7 per cent preferred?—A. Correct.

Q. All right, what happened then?—A. The capital structure was changed slightly, the no par value shares of common stock, amounting to 92,400, were redeemed or called in.

Q. Just a minute. In redeeming these no par value shares, at what figure were they redeemed.—A. You mean by the Borden Company?

Q. Yes.—A. They were redeemed on a basis of eight shares of City Dairy common for 7 shares of Borden company common.

By the Chairman:

Q. The whole amount?—A. The whole amount, yes.

Q. The Canadian company?—A. Yes, the present Borden's Limited.

By Mr. Bowman:

Q. Then you would have outstanding, representing the previous 92,400 shares of no par value stock of City Dairy Limited—you would have substituted for that 80,850 shares of Borden's Limited?—A. No, it wasn't hardly stated in

that way, Mr. Bowman. After this exchange of stock was completed, you understand these shares were held by outside shareholders, not by the City Dairy Company itself, when that entire issue was redeemed there were issued in place of it, 45,000 shares of common stock of the new City Dairy Company, after the merger, and that issue was redeemed, you see.

Q. What I understand you to say is that of the 92,400 shares of non par value, when the reorganization took place, they substituted for those shares on the same pro rata proportion, 8 shares of the old company to 7 shares of the parent company of Borden's Limited.—A. Yes, in the hands of private shareholders, yes.

Q. In the hands of private shareholders, true; but would the private shareholders not, did they not approve of the deal, and did they not become owners of the new stock, that is, in the parent company?—A. There were 45,000 shares of stock of the company after the merger set up upon the books as common shares then with the ratio of 8 to 7?

Q. I don't just follow you, you received out of 45,000—I think if you take a pencil—.—A. I have it all figured out.

Q. Perhaps you don't need to take a pencil, but the way I have it figured is this, that if you did make an exchange on the basis which you say, there would be substituted for the 92,400 shares, 80,850 shares of Borden's.—A. That is correct.

Q. That is right, where does the 45,000 come in.—A. Well, that I can't answer because that capital stock is set up that way in the book of the City Dairy Company Limited.

Q. Well, there must be some explanation of it.—A. Probably I could dig a little further and get that for you.

Q. Will you? You have traced quite clearly the history of the company since 1921, the various changes which were made in the capital structure in 1924, 1927, and September, 1930; now we have got to a point where it is difficult to reconcile the figures you have given to us.—A. Perhaps a partial explanation would be the increase in value we would say for goodwill, it might have entered into it a little.

Q. Well, all the figures that you have given us show 45,000, that is only about half of the stock issued by Borden's Limited in payment of the previous no par value stock of City Dairy Limited?—A. Yes.

Q. Well, where does the other 35,000 shares come out?—A. I could not answer that other than to say that on the conversion that is probably something for goodwill.

Q. Well then perhaps we could get at it another way; when in 1930 the City Dairy Limited was taken over by the company which now has become the parent company, what then was the capital structure of the company of which you apparently changed the name to City Dairy Company Limited?—A. Yes.

Q. What then was the capital structure of the company as reorganized?—A. 45,000 common shares of a par value of $100 each.

Q. Oh, that is a different proposition; it then became 45,000 shares?—A. Of a par value of $100.

Q. Of a par value of $100, yes, and what else?—A. And 7,000 preferred shares had been redeemed.

Q. When, at that time?—A. At that time.

Q. At what were they redeemed?—A. $135 a share.

Q. Now, perhaps you will correct me if I haven't got this just clear, Mr. Thorne: as the company originally stood in 1921, this City Dairies Limited, the capitalization then set up amounted to $565,000 of common stock?—A. Yes.

Q. $100 par value stock, plus $700,000 of preferred cumulative?—A. Yes.

Q. Making a total of $1,265,000?—A. That is correct.

Q. And the reorganization which took place at the time Borden's took it over in 1930, the capitalization set-up was $4,500,000?—A. Yes.

Q. In other words, the capital structure of the company from 1921 had increased from $1,265,000 to $4,500,000?—A. Yes.

Q. And now, in 1930, have you any record of how this common stock now having a par value of $100, instead of no par value just previous to the reorganization—how that was distributed to the holders of no par value stock?—A. Ratio of eight to seven.

Q. A ratio of 8 to 7?—A. That is, if you are speaking of the 92,000.

Q. Yes, that brings us back to our 80,850; but it does not explain how the 45,000 shares were issued?—A. I haven't anything on that, I could not answer that.

Q. You see the point I am making?—A. Yes, I see it.

Q. I mean, if you issue to the public on the basis which you have told us, which is doubtless what took place, that does not explain how when you come to issue shares having a par value of $100, just how they were distributed among the people who held no par value stock. You can get that information?—A. That can be ascertained.

Q. Will you get that and file it with the clerk?—A. Yes.

Q. This new stock that was issued, 45,000, is that held by the public?—A. That is held by Borden's Limited, outside of the qualifying shares for directors.

Q. In other words, then, the public who did hold both the preferred and common stock in City Dairies Limited were bought out?—A. Yes.

Q. And retired from any further active interest in the company?—A. Yes.

Q. And the stock of the company now is not held by the public, outside of a few qualifying shares, but held by the parent company Borden's Limited?—A. Borden's Limited, that is right.

Q. Now, have you no purchasers at all; for instance, Mr. Thorne, with regard to the taking up of this 80,850 shares—I mean, if the public held those shares they must have been settled with before they surrendered their stock?—A. They were, on the basis of 8 to 7.

Q. Eight to seven in dollars or eight to seven in shares?—A. In shares.

Q. But even when they got the shares, those shares are not held by the public at the present time, are they?—A. No. When they were taken up, this new issue of 45,000 went over to the parent company, Borden's Limited, outside of the qualifying shares.

Q. But what happened to the Borden's Limited shares, the parent company's shares, that were issued, as you say, seven for eight of the old company?—A. They were paid to the shareholders.

Q. And they still hold them?—A. As far as I know, unless they have sold them.

Q. Well, I mean they are held by someone, the public generally?—A. Yes.

Q. Or the previous holders?—A. Yes. The stock records were closed out at that time, the stock books.

Q. That is the books of the City Dairy?—A. Yes.

Q. And they became, instead of owners of stock in City Dairy, holders of stock in the parent company?—A. In the parent company, yes.

The CHAIRMAN: And they still hold them.

By Mr. Bowman:

Q. And they still hold the stock in the parent company?—A. Unless they have sold it.

The CHAIRMAN: It is still in circulation.

By Mr. Bowman:

Q. Yes, it is in circulation?—A. Yes.

Q. In other words, we can take it that so far as the general public are concerned, or shall I say the shareholders who had previously been interested in City Dairy Limited, no further have any specific interest in that company, but now are shareholders of the parent company, Borden's Limited?—A. They hold shares of the Borden Company in New York.

The CHAIRMAN: Might it not be interesting just there, Mr. Bowman, to ask what is the comparative value of that old stock to-day, and at that time?

Mr. BOWMAN: Well, the only point there, as you are aware, Mr. Chairman, Borden's Limited, the parent company stock is quoted on the New York exchange and has varied very considerably from 1928 down to the present time, and I suppose the actual value would be what its actual value on the exchange is.

Mr. TUMMON: No.

Mr. BOWMAN: Well, its actual value in this way, it will bring a certain amount of cash if you want to sell your stock.

The CHAIRMAN: I know that.

Mr. BOWMAN: Was there some other point you had in mind, Mr. Chairman?

The CHAIRMAN: Yes. It had a value at the time that the exchange was made. That is what I was trying to get at.

Mr. BOWMAN: Yes.

By Mr. Bowman:

Q. Could you tell us, Mr. Thorne, at the time this exchange was made in 1930, what the selling value of Borden's Limited stock was at that time?—A. Set up on the balance sheet at $6.25 a share.

Q. Set up on the balance sheet?—A. Yes, at $6.25 a share.

Q. Just let me make a little calculation.

By the Chairman:

Q. Were the values not quoted at that time, Mr. Thorne?—A. You mean on the balance sheet?

Q. No, in the open market?—A. That I could not say.

Q. If you can't say, there is not much use in asking.—A. I can only report as for the company.

Mr. SPOTTON: Mr. Chairman, I would suggest that you speak to the chairman and to the witness, and ask him to speak a little louder. This is a large hall.

The CHAIRMAN: Very well.

Mr. BOWMAN: That is the book value; but what the Chairman asked, as I understand, is what was the market value at that time.

The CHAIRMAN: Yes.

The WITNESS: I have not any values on that.

Mr. BOWMAN: In that connection, Mr. Chairman, I should imagine that one could get from the proper official of the New York exchange, the selling price of the stock at that time, and for the purposes you have in mind, compare it with the book value which Mr. Thorne has just given us as $6.25 per share.

Mr. PICKEL: It is 22.

Mr. BOWMAN: That is to-day, I think.

The CHAIRMAN: That is all right. Go ahead.

By Mr. Bowman:

Q. Now, you have been asked, Mr. Thorne, to bring with you to-day a statement of the profit and loss account for last year; have you that in hand?—A. City Dairy Company Limited, yes. Do you wish me to read it?

Q. Yes.—A. City Dairy Company Limited, analyzed statement of net income, 1932: Net sales, $2,885,982.52.

Q. Just one second—is that in the statement which Mr. Ruttan filed?—A. It is ready to be filed.

Q. Have you an extra copy?—A. Yes, we have.

Q. May I have a look at it, and I might perhaps follow you a little more easily. I think, Mr. Chairman, for the benefit and information of the committee, Mr. Thorne had better read the statement, and we can get such figures as may be of use as he goes along.

The CHAIRMAN: Yes.

The WITNESS: You have the figure of net sales, $2,885,982.52. Net cost of sales; the first item is cost of products, milk and milk products including freight and hauling, $1,205,085.77.

By Mr. Bowman:

Q. Just a minute—you have probably given me the wrong page of this; you are more familiar with it than I am.—A. It has probably turned over. There it is.

Q. All right, thank you.—A. Purchased butter, eggs and cheese, $37,582.24; sugar for ice cream and condensed, $11,697.96. Total cost of products, $1,254,-365.97. Production expenses: Salaries and wages, $153,631.25; expense, $48,923.41; materials, $145,966.38; depreciation, $21,920.91; insurance, $1,684.12; taxes, $7,316.43; other property expense, $95 even; administrative expense (actual), $32,408.76; administrative expense (transfer), $1,837.05. Total production expense, $413,783.31.

Selling and delivery expense: Salaries, wages and commission, $599,091.87; expense, $239,911.57; materials, $47,864.42; depreciation, $29,240.25; insurance, $3,779.54; taxes, $9,284.41; other property expense, $2,423.34; administrative expense (actual), $32,408.76; administrative expense (transfer), $1,837.05. Total selling and delivery expense, $965,841.21.

Provision for bad debts (milk), $28,985.49; advertising, $52,985.85; bottle, box and can losses (including repairs), $37,464.04. Total cost of sales, $2,753,-425.87. Net profit, $132,556.65.

Income additions: Interest received (net), $41,510.61; profit or loss on materials sold, $429.40; farm operations (loss), $6,780.38.

Income deductions: Dominion income taxes, $20,152.07; provincial, franchise or corporations taxes, $7,491.26; expenses on idle property, $2,422.15; which is a profit although under deductions. Total income deductions, $25,221.18. Total net income, $142,495.10.

Q. Now, have you the figures showing what the net income was for last year?—A. Yes.

Q. What did that amount to—I mean 1931; you have just given us it for 1932.—A. $263,245.65.

Q. And for 1930?—A. $247,021.31.

Q. And for 1929?—A. $362,928.01.

Q. And for 1928?—A. $327,963.45.

By the Chairman:

Q. Have you the total of that, those five years?—A. I have not, no; I could add it up for you, though.

Mr. BOWMAN: I am sorry, I didn't get the opportunity of taking down the details and adding them up for you. Probably we will get it later.

The CHAIRMAN: It is all right.

The WITNESS: I have that, Mr. Chairman, if you would like it. That totals $1,368,231.37.

By Mr. Bowman:

Q. That income for the period in question which you have just given to the committee, represents the net income after depreciation, write-off for bad debts, and the customary allowances made in the business?—A. Yes.

Q. You set up, I presume, the usual reserve account?—A. Yes.

Q. How does that account stand at the present time? What balance is there in the account, in your reserve account, first of all for depreciation; what is the total balance for depreciation?—A. As of December 31, 1932, $743,002.97.

Q. That is for depreciation?—A. Right.

Q. Have you got the details of that depreciation; I suppose that you would not have the details in that particular account. I will take one year.—A. I have the amount that was provided during 1932.

Q. That would be on the same basis, then. Would you mind giving it to us for the year 1932?—A. On buildings, this is a provision set up during 1932, $13,503.68.

Q. What percentage, what is the basis?—A. That ran from two per cent on brick and concrete buildings to five per cent on a frame building.

Q. All right. In giving the other figures, just give us the basis as you go along.—A. Machinery, tools and equipment, $20,466.58, comprising six per cent on dairy machinery and equipment, 10 per cent on ice cream manufacturing equipment, and eight per cent on farm equipment.

Q. Speaking from memory, that is the same basis,—the percentages are the same basis on which you figured the Ottawa Dairy Limited?—A. They are standardized, yes. The mechanical refrigerator cabinets $27,442.54 on the basis of 10 per cent; motor vehicles, $14,073.37. That is on a basis of 25 per cent for passenger vehicles, 12½ per cent for trucks over 2½ tons, 20 per cent for trucks under 2½ tons; horses $8,337.80, on a basis of $30 per year per horse; wagons $7,469.64, on a basis of 10 per cent; cattle $1,406, basis of $18 per year per cow; furniture and fixtures $1,163.71, on a basis of 6 per cent, making a total of $93,863.32.

Q. What other reserves did you set up in 1932?—A. Reserves for fire insurance, self covered.

Q. Self covered, don't bother about that. What other reserves besides that?—A. Nothing but surplus, outside of reserves for bad debts.

Q. What is your reserve for bad debts?—A. As at December 31, 1932, $16,404.88.

Q. Do you mean that is for the year 1932?—A. That was the balance in the account for 1932.

Q. Which comprises part of that $849,000 you gave us a moment ago?—A. $849,000?

Q. You gave us a figure a moment ago of reserves set up in your account, $849,000.—A. That was depreciation.

Q. Depreciation?—A. Yes.

Q. Reserve for depreciation?—A. Yes, only.

Q. I think probably we should have that insurance figure so we can reconcile your statement as it will be filed.—A. The balance in the account as at December 31, 1932, was $976.52.

Q. Any other reserves?—A. Nothing but surplus.

Q. What does that amount to?—A. $916,784.33.

By the Chairman:

Q. Will you repeat that figure?—A. $916,784.33.

By Mr. Bowman:

Q. Making a total of what?—A. Of fire insurance?

Q. Of all your reserves.—A. We do not submit it just that way in the balance sheet. We take reserve for all debts and subtract them from our accounts receivable.

Q. In any event, you have first of all reserves for depreciation?—A. Yes.

Q. $800,000——A. $743,002.97.

Q. Then, reserve for insurance?—A. $976.52.

Q. That is for all bad accounts, bad debts?—A. $16,404.88.

Q. Give us the amount for surplus.—A. $916,784.33.

Q. Those are all the reserves that are set up?—A. That completes the list.

Q. Since the reorganization in 1930, what has the company's policy been with respect to dividends?—A. The accrued dividend in 1930, up to September 19, was paid on the common and preferred shares.

Q. Up until what date?—A. Up until September 19, 1930; that was the actual date.

Q. At the time it was taken over by the parent company?—A. Yes.

Q. Since then——A. Since then there was a transfer of the stock ownership of the Dry Milk Company, amounting to $500,000, which was passed out in the form of dividend on the common stock of the City Dairy Limited to Borden's Limited.

Q. Would you mind repeating that, I did not get it?—A. The only other dividend declared since September 19, 1930, was the stock ownership of the Dry Milk Company Limited.

Q. Of Toronto?—A. Of the Dry Milk Company Limited, which was accomplished through the transfer of $500,000 as a dividend in stock to Borden's Limited. The necessary number of shares of stock of City Dairy Limited were cancelled, and they were transferred in an accounting entry as a dividend through the books of the City Dairy Limited, and passed out to Borden's Limited. It was merely a transfer of ownership of the Dry Milk Company; that is all.

By the Chairman:

Q. Was it deducted from the 45,000?—A. Yes.

By Mr. Bowman:

Q. Go on.—A. I have not finished with the entire structure.

Q. Would you mind doing so, as I thought we had completed it.—A. The last item I gave you was the issuance of 45,000 common shares of the par value of $100, amounting to $4,500,000 after acquisition.

Q. That is where we left off.—A. In October, 1931, 6,000 common shares of the par value of $100 of City Dairy Limited common stock were cancelled, amounting to $600,000, and $500,000 of that were transferred to Borden's Limited.

Q. Just a moment. You say 6,000?—A. 6,000—all right, I am coming to that.

Q. No; you say 6,000 shares of a par value of $100 were cancelled?—A. Yes.

Q. That is out of the authorized capital?—A. Out of the authorized capital, yes.

Q. What was the authorized capital at that time?—A. 50,000 shares of common, $100 par value.

The CHAIRMAN: 50,000. Well, we are lost now.

Mr. BOWMAN: The point is this, Mr. Chairman: There is a step in there, is there not Mr. Thorne?

By Mr. Bowman:

Q. You had issued 45,000 shares with a par value of $100?—A. Yes.

Q. If your authorized capital was 50,000, how did you cancel 6,000 shares?—A. I would say those 6,000 were part of the 45,000.

Q. Part of the 45,000?—A. Yes.

Q. That is, the parent company surrendered 6,000 shares of the 45,000 that they had received on the recapitalization?—A. Yes.

Q. That was issued to them on recapitalization?—A. Yes.

Q. All right.—A. Now, $500,000 worth of the $600,000 that were cancelled, were transferred to Borden's Limited to cover the City Dairy's investment in the Dry Milk Company, which was passing over to Borden's Limited for stock control.

Q. Had they purchased this plant at that time?—A. No, the City Dairy had always owned the Dry Milk Company Limited.

By the Chairman:

Q. Now, Borden's were acquiring it?—A. Yes, they acquired it at the same time as they acquired the City Dairy.

By Mr. Bowman:

Q. The whole transaction was represented by the issuing of 45,000 shares which covered the subsidiary of City Dairy Limited?—A. Yes.

Q. It was really a book transaction?—A. That is all; it was a transfer of ownership.

Q. What else?—A. That left $100,000 still to be disposed of, and they were in turn transferred to Borden's Limited to cover the stock ownership of the City Dairy Farms Limited, which was another subsidiary of the City Dairy Limited so that accounted for the entire $600,000. For accounting purposes, it is merely termed dividend, and transferred through the City Dairy books.

Q. Not a cash transaction?—A. No cash. On December 13, 1932, an additional 14,000 shares of common stock of the original 45,000 were cancelled, and a corresponding reduction made in the value of goodwill, trademarks, patents and goodwill.

By Mr. Bowman:

Q. In other words, goodwill and so forth were written down.—A. They were written down, $500,000.

Q. Leaving at the time we are talking about, how much common stock?—A. 25,000 common shares of a par value of $100, or $2,500,000.

Q. Really, the latter entries you have given us are more or less book transactions?—A. That is all.

Q. And is that the final step?—A. Yes.

Q. So that at the present time there are outstanding 25,000 $100 par value common stock, certificates of which are held by the parent company.—A. Outside of the qualifying shares, yes.

Q. Let us go back a moment to the profit and loss account, or the income account. I trust I am not trespassing too much on the time of the committee. It has been a little difficult, as I have not had the advantage of seeing those figures; perhaps I am a little slower than I otherwise would be. Is there any administrative charge made by the parent company in respect to City Dairy Limited?—A. Only insofar as the expenses of the board of directorate of Borden's Limited.

Q. What portion was that for 1932; what was the amount?—A. I have it here somewhere.

Q. I think perhaps it is in the statement you read to us.—A. I just wish to confirm that too.

Q. You have administrative expenses, actual, $32,408.76.—A. The total of these would be $3,641.10.

Q. Total of what?—A. $3,674.10, I should say.

Q. Total of what?—A. Total of administrative charges in 1932, paid to the parent company, Borden's Limited.

Q. That is the figure you have just given us?—A. Yes, the last one.

Q. What are those two items you have shown in the annual profit and loss account? You have a figure there as follows: "administrative expenses, actual." —A. That means the City Dairy actual administrative charges of their own property.

Q. That is of the plant itself?—A. Yes.

Q. Staff and so forth?—A. Staff, executive, accounting department, and so on.

Q. Would you give us details for 1932?—A. Item by item?

Q. Yes.—A. No, I am sorry I have not that, Mr. Bowman.

Q. Can you give us the larger items that go to make it up?—A. I can give you part of the executive salary, that is all.

Q. Perhaps you might give us that?—A. $14,741.88 would represent the executive salaries paid in 1932.

Q. What do you include in executive salaries?—A. President, vice-president, secretary, assistant treasurer—no, I am wrong in the vice-president. There is no vice-president receiving salary.

Q. Are these all active in the affairs of the company?—A. Yes.

Q. You set up in 1932 for bad debts, milk $28,985.49; on what basis do you set that up; is that a standard basis?—A. Yes, a standard basis.

Q. Which has been in force how many years? I notice it is one per cent of the net sales?—A. That has been in since acquisition. The rates were standardized since acquisition.

Q. Since 1930?—A. Yes.

Q. You set them annually from time to time? This is one per cent.—A. Just at the moment, yes.

Q. Of your net sales?—A. Yes.

Q. Do you charge from year to year?—A. Depending on circumstances.

Q. Was there any difference in 1930 and 1932?—A. I would say in 1931 there was a smaller provision set up.

Q. Then your rate is changed in accordance with the times?—A. Yes.

Q. That is set up, as I said a moment ago, on a basis of 1 per cent net sales of milk?—A. Yes.

Q. Consequently, your milk sales would be approximately 2,898,549?—A. If you speak of milk alone and leave cream it is 1,566,937. Milk includes cream.

Q. It should include other products as well?—A. It includes everything but ice cream.

Q. In respect to the matter of depreciation, I note that you set up the other day 6 per cent on depreciation for machinery which is used in the manufacture of milk?—A. Yes.

Q. Has your company found from actual experience and practice that is a reasonable amount to set up for depreciation?—A. Well, on an average.

Q. I mean for machinery used in the manufacture of milk?—A. The average company, yes.

Q. What would you say to a depreciation of 15 per cent?—A. High.

Q. Now, does the parent company make any withdrawals in cash from the subsidiary company limited?—A. The parent company does not actually withdraw it, but there are various transfers made to another Canadian company entirely within the control of the sending company.

Q. You say a Canadian company?—A. Yes.

Q. Which is really acting for the parent company?—A. Yes.

Q. And what is the practice with regard to those withdrawals?—A. It is treated merely as a loan account, account receivable. If any other company in the organization needs a little money they can borrow it from that revolving fund.

Q. How many subsidiaries of Borden's Limited have you in Canada?—A. Eleven fluid milk and ice cream and four in the manufacturing division.

Q. There is a central organization at Toronto representing the parent company in New York?—A. You mean for depositing purposes?

Q. Yes.—A. Yes.

Q. For depositing purposes; and that central organization, controlling as it does the stock of all the subsidiary companies, really has a right to withdraw, as you say, from the different subsidiary companies from time to time such amounts as perhaps they think the subsidiary companies can spare that the central fund require?—A. Actually it is treated as accounts receivable on the books of the Canadian company.

Q. And that money which is transferred to that central fund, I suppose is more or less available for the purpose of paying dividends or for such other purposes as the company may desire?—A. No dividends have been paid in Canada.

Q. The dividends have all been paid by the parent company?—A. Exactly.

Q. You have said that in Canada there are 11 subsidiary companies plus four other companies?—A. Yes.

Q. How, for instance, do the profits of those companies get to the parent company in order that they may be distributed to the shareholders of the parent company?—A. They are not distributed in the form of dividends.

Q. How are they distributed?—A. They may draw if necessary from the surplus in cash which is kept in one separate deposit account.

Q. That is at Toronto?—A. At Toronto; and it in turn is charged up against the Borden company by the company that received it.

Q. Is that not what I said a moment ago: that the central fund was, whether you call it directly or not—you say indirectly—was made available for purposes of paying dividends or could be made available if the parent company so desired?—A. I would say for two purposes. It might be used for dividend purposes if a dividend was declared by any of the Canadian companies or if another company wanted to borrow some they could borrow from that fund.

Q. But it is not the practice of the parent company to have the subsidiary companies in themselves declare dividends?—A. I would not say that; they have not declared any.

Q. They have not for the simple reason, which must appear to you to be quite plain, that the stock held by the public in all these different companies—original stock in the individual companies—has been transferred and has become the stock of the parent company, and, consequently, any dividends that must be declared must be declared by the parent company; is that correct?—A. That is true.

Q. And so you would have in this central fund monies that might be available, if the company so desired, for the payment of dividends?—A. Yes.

Q. Not on any individual company, but for the purpose of payment of dividends on the company taken as a group?—A. It could be construed in that way.

By the Chairman:

Q. Do I understand you to say that no such dividends had been declared?—A. That is correct.

Mr. BOWMAN: By the individual companies.

The CHAIRMAN: By Canadian Borden's.

The WITNESS: That is correct.

Mr. BOWMAN: They do not declare any dividends. Correct me if I am wrong, Mr. Thorne, as I conceive this organization. Mr. Chairman, I understand it to be this, that all the stock in such subsidiary companies, as the one we are treating to-day, is 45,000 shares of $100 par value. That stock is held by the parent company in New York. The public do not own a cent of it at all or a share. Only one or two or probably 5 or 10 shares are held by individuals in order that they may qualify as directors. The rest of the stock is held by the parent company; but at the time of the organization of the company, as explained by the witness, there were issued shares in Borden's Limited, and those shares are held by the public—not shares in the City Dairy Company Limited at all.

The WITNESS: Allow me to correct you there. Borden's Limited shares are turned over to the Borden's company as the parent company, and the public hold shares in the Borden's company in New York.

By Mr. Bowman:

Q. That is what I said?—A. I misunderstood you.

Q. Perhaps I said something I did not intend to say. That is what I meant to say. That is, that the public hold shares in Borden's Limited of New York?—A. The Borden's company of New York.

Q. What is the correct name of the company?—A. The Borden's company of New York.

By the Chairman:

Q. What is Borden's Limited?—A. That is the holding company in Canada.

Q. In which the original owners of the shares in the old City Dairy at present hold 92,400?—A. No.

By Mr. Bowman:

Q. All the stock is held by the head office company in the city of New York, and, consequently, the reason I asked the question was that the monies are available at Toronto, the head office of the company in Canada—those funds can be made available by the parent company for the purposes of paying dividends of the company as a group. Just to clear up any misconception, Mr. Thorne, I suppose the company at Toronto is just a small capitalized company?—A. No, it is the Borden's Company Limited.

Q. The subsidiary of the parent company?—A. A subsidiary of Borden's Limited.

Q. Really the representative in Canada?—A. Yes.

Q. That is really what it amounts to?—A. Yes.

Q. And the stock of that company is held by the parent company in New York?—A. Through Borden's Limited.

Q. The stock in Borden's Limited is held by the parent company in New York?—A. Yes.

Q. Let me repeat again: all the stock in any of those different subsidiary companies, eleven companies plus four companies—the stock in all those four companies is held as stock in the parent company in the city of New York?—A. Eventually.

Q. Eventually that is what happens; and any dividends that are paid and have been paid up to date inasfar as the Canadian group is concerned have been paid by the parent company in the city of New York?—A. That is right.

Q. Have you any memoranda showing the value of the property as taken over by the Borden's company in 1930?—A. You mean of the entire company?

Q. Any appraisal—not of the parent company—of the City Dairies Limited?—A. No. I have not. I just have the capital stock valuation at that time.

Q. I suppose there would be an appraisal made at that time?—A. Yes. We can break the values down into the form of a balance sheet if you like.

Q. Yes, I would like that, Mr. Thorne. I wish Mr. Thorne would leave this appraisal at that time in 1931 with the clerk?—A. It would not be in the nature of an appraisal; it would be a copy of the balance sheet.

Q. I think, Mr. Chairman, that practically covers all I want to ask at the present time. However, there is one thing I want to place on the record before we finish with Mr. Thorne's evidence. I understand that the position of Borden's stock on the New York exchange as of this morning's date was approximately $29. I think by looking back in the records of the exchange for September, 1930, the committee would have information of the value of the stock at that time?—A. I understand—if I misunderstood your form of question as to the value of the Borden's stock at that time—was that one of your questions; the date of acquisition?

Q. Yes.—A. It was $80 a share.

By Mr. Spotton:

Q. If Mr. Thorne cannot give us information, how are we going to get back further than 1921 in the City Dairy in Toronto? If Mr. Thorne cannot give us this whom can we call? I would like to get the financial structure of this company right from the beginning.

The CHAIRMAN: Perhaps Mr. Thorne could give you that—would tell you where that information could be found.

The WITNESS: I know that the general ledger is available back to 1900—of the City Dairy Company Limited is available back to 1900.

By Mr. Spotton:

Q. In the office at——A. Spadina Crescent.

Q. In your head office?—A. No.

Q. In the office of the City Dairy. Who could we call to give us the workings of the financial end of the City Dairy since its inception in 1900?—A. I could secure that for you if you knew what you want.

Q. We want everything.—A. What do you mean by everything?

Q. We want everything. You know it is in the air that a man who put up $1,000 in the City Dairy got $10,000 out, and these things may not be true but it just leaves a bad taste in the mouth of the people that the Dairy Companies have been robbing the people. I would like, in this particular instance of the City Dairy, that we would go right from the beginning if you could do that another day?—A. I could give you a transcript of the balance sheet by years which would show the approximate—

Q. We would like to get somebody that was there from the beginning and worked up. These balance sheets, you know what they are. Who was the originator? Who started the company?—A. Perhaps Mr. Ruttan would be better qualified to answer that.

Q. Your head office is in New York?—A. Now, just which head office do you refer to?

Q. Of Borden's company?—A. Of the Borden's company.

Q. Now, your registered company is in New Jersey?—A. You are speaking still of the Borden's Company?

Q. Yes.—A. They are registered in the state of New Jersey.

Q. And they held their annual meeting in the state of New Jersey?—A. Yes, at Jersey City.

Q. At Jersey City in the state of New Jersey, they go into retreat there for their annual meeting?—A. They hold their annual meeting there.

Q. But their head office of everything is in New York, that is their real head office?—A. Yes, at 350 Madison Avenue.

Q. And in Canada they have no head office?—A. Spadina Crescent, Toronto.

The CHAIRMAN: That is the Canadian office you mean.

Mr. TUMMON: That is the administration office for Canada.

By Mr. Spotton:

Q. Well, but there is no administrator here, it may be the office, but Mr. Thorne is the administrator; however, we were at that the other day, we did not get very far—there is really no Canadian head office?—A. I think you will find that the application for charter specifies Spadina Crescent, Toronto.

Q. I know, just like your registered office is in New Jersey—do you occupy an office in Jersey City?—A. Yes, there is an office there.

Q. I beg your pardon?—A. Yes, there is.

Q. Just an office in a hotel where they hold their annual meeting?—A. I don't know whether it is in a hotel.

Q. Now, this is just for curiosity. Why do you call New York the head office and yet when you hold your annual meetings you go back to Jersey City in New Jersey?—A. Well, the company was incorporated away back in 1870 when possibly the state of New Jersey was a little bit larger than New York, it might have meant a little more prestige.

Q. That is of no interest to us. If Mr. Tummon will just excuse me, Mr. Thorne has been kind enough to correct a statement; I just want to know whether this is correct: when I asked a question as to how much money the companies in Canada had sent over to the grandparent company in New York since 1928 Mr. Thorne says "I have already answered that." My question, "well, then, if you have will you answer it again"; and Mr. Thorne said "nil". My question, "but it is on call, it is here on call". Mr. Thorne, "yes". I find that Mr. Thorne corrects that by this?—A. Yes.

Q. That there has been—I wish to thank him for the correction—that there has been forwarded from the companies in Canada to the United States, New York, in cash since 1928 $6,229,635.75. Then, of course, in the statement it says cash has been sent over here, and then they estimate what the dividends are. I don't know what that cash was, sent over there, whether it was sent over for the control of stock—to buy up the stock—or what; but that is the money, that was Mr. Thorne's correction?—A. Perhaps you would like me to read my entire corrected statement on that, Mr. Spotton.

Q. Oh, so far as I am concerned, it is only a matter of trying to correct the feeling that might get abroad that the United States is draining Canada of Canadian dollars, and it is just showing that American dollars, you know, were sent back, and I don't think it is necessary; they claim to have sent back all of this in cash and estimated dividends to people who hold stock in the parent company of about $354,000 of that amount which they sent. So, in all, that was for buying stock in City Dairy in Toronto, or the Ottawa Dairy, or it was put into operating expenses?—A. Oh, no.

Q. It was cash that was actually paid?—A. Actual cash, yes. That last figure represented excess United States funds sent to Canada over and above what was withdrawn as an account received.

Q. Of course, you take in the dividends that were sent to people who had purchased Borden's stock long before you ever came here, and everything like that?—A. Yes.

Q. And over and above this $6,229,635.75 you have millions here on call which you could pull over to the United States at any time?—A. Yes.

By the Chairman:

Q. Just a moment before you proceed, doctor, I want to clear up one thing there. If I understood you correctly you said the surplus in your profit and loss account at the present time was $916,000?—A. $916,784.33.

Q. Is that exclusive of any moneys that have been transferred to the New York office from the City Dairies?—A. You know how surplus is made up, it is merely the difference between the assets and the liabilities, capital stock and reserve—the difference is surplus.

Q. I don't know?—A. Now, this would be merely the balance between assets and liabilities. If City Dairy had an account receivable of the Borden's Company Limited as the result of depositing money to their credit that would figure in this surplus; in the net, naturally.

Q. It does figure in this surplus really?—A. Yes, now I think I can answer that by saying it is all in the figure at the moment.

Q. But this present City Dairy Limited is credited for another amount that they sent too?—A. Yes.

Q. And it is really included in this balance sheet?—A. Indirectly, yes.

By Mr. Pickel:

Q. That was one question that I was going to ask Mr. Thorne, Mr. Chairman; and there is one other one—the Borden Company bought a farm in Toronto with the old City Dairy; can you tell us?—A. Just how do you mean?

Q. They had a dry milk plant, and then there was a farm besides that they purchased?—A. The City Dairy had a farm which was a subsidiary company of the City Dairy Company.

Q. That was purchased by the Bordens?—A. That was turned over after the merger.

Q. $100,000?—A. $100,000, yes.

Q, Do you know anything about the working of that farm?—A. In what way.

Q. What dividends it paid last year?—A. No dividends.

Q. What was its deficit?—A. In 1928 there was a profit of $142.13; in 1929 a profit of $207.48; in 1930 a loss of $7,174.45; in 1931 a loss of $5,592.85; and in 1932 a loss of $6,780.38.

Q. In these calculations, Mr. Thorne, do you allow the same price for the milk that you produce coming from that farm as you allow to producers?—A. I would rather Mr. Ruttan would answer that, it is part of his operations.

Mr. RUTTAN: I can answer that.

The CHAIRMAN: All right.—A. The City Dairy Farm is not operated as a commercial venture, it is a farm at which we produce certified milk. The milk has to be bottled, shipped in iced cases, and was sold at a special rate. The sale of that certified milk is gradually dwindling and a few months ago we decided to discontinue its operations as a certified milk farm. To run it as a commercial venture we would have to add a great many cattle there. It was not a commercial venture, it was a farm for the production of a limited quantity of certified milk, and it can not be taken as comparison on the operations of a commercial farm.

Q. What do you sell that certified milk for?—A. Prices vary, we were selling it at 24 cents—I can remember one time; and we were selling it at twenty—.

Q. What would be allowed the farm for that milk?—A. The farm would receive the commercial price, and I believe half the difference between the retail price of standard milk and the price obtained for that certified milk.

By Mr. Tummon:

Q. Mr. Ruttan, you have been in the milk business in Toronto, I presume, for some time?—A. In Toronto, no; four years in Toronto.

Q. You were prior to that?—A. Prior to that I was with a subsidiary company of the City Dairy Company, the Dried Milk Company, stationed at Winnipeg as special sales representative for Western Canada.

Q. I see. Can you tell the Committee how many distributors there are in the city of Toronto?—A. Distributors?

Q. Yes.—A. Approximately 52, and in addition I believe a certain number of pedlars who buy milk from small distributors.

Q. Now, you spoke a little while ago about a producers' association, it was in your report, I think? Do all these fifty odd organizations, or distributors, co-operate with the producers' association?—A. Not entirely, there would be about four-fifths of them who do co-operate with the producers' association.

Q. Your company is one of those who co-operate?—A. One of those, yes.

Q. In arranging the prices that the distributor shall pay to the producer, how do you proceed to arrive at the price?—A. You mean, if a price change is to take place?

Q. Yes; you meet together, I presume?—A. We meet the producers' representatives, yes; and discuss the matter with them.

Q. The producers are represented, I presume, by an executive committee?—A. Yes.

Q. Do the distributors have an executive committee likewise?—A. A number of us meet togther, yes.

Q. Beforehand?—A. At times; and at times no.

Q. But, nevertheless there must be—not the entire fifty—or forty-five or forty, as the case might be—would meet the producers' executive?—A. Quite true.

Q. They do sometimes?—A. No, no—not the entire forty or fifty, no.

Q. Or represented by an executive committee representing the distributors?—A. Yes.

Q. Have the distributors an organization in Toronto?—A. They have, yes; they call that a Bottle Association.

Q. A bottle association?—A. I'd like to give you the exact name of that association, the Toronto Dairymen's Bottle Association; the members of that association use universal bottles for sales to stores.

By Mr. Pickel:

Q. Is that just for milk?—A. That is for milk.

By Mr. Tummon:

Q. Nothing personal now?—A. That is for milk, and the reason for that is so that in using these universal bottles in delivering to stores a charge is placed on bottles of 5 cents, the store in selling the bottle to the consumer charges the 5 cents and he redeems that bottle when it is brought back and so on. We thereby save a loss on bottles which would otherwise go astray.

Q. And as a result of that bottle organization you are in a position to discuss any matters that relate to the setting of prices?—A. Yes, undoubtedly.

Q. Now, do all these distributing plants, some fifty odd, pasteurize their product?—A. Yes. Pasteurization is compulsory in Toronto.

Q. Pasteurization is compulsory in Toronto?—A. With the exception of the certified milk which our company was selling, but which we have discontinued; so therefore I say that pasteurization is entirely compulsory now in Toronto.

Q. The city have regulations demanding it?—A. Yes, indeed.

Q. How many classes of milk does your company sell, Mr. Ruttan?—A. We sell what we call a standard milk.

Q. A standard milk?—A. Yes, and that standard milk may be homogenized or not; if you want that classification, we sell also a jersey milk and a guernsey milk, running at the same prices.

Q. The guernsey and jersey are the same prices?—A. Yes.

Q. Yes, I would imagine so. That standardized milk, does that mean that that milk contains a standard butter fat content?—A. No. I beg your pardon, I didn't say standardized milk, I said what we call our standard milk.

Q. Well, your standard milk?—A. Standardization is not permitted. In other words, you must sell milk as you receive it.

Q. Not under 3·25?—A. 3·25 is the limited.

Q. The minimum?—A. The limit under the city medical health regulations, yes.

Q. Just as a matter of information, Mr. Ruttan, would you be prepared to say what the pasteurization cost per gallon for milk is?—A. Yes. I can give you that charge; including the receiving into the plant, the pasteurization and passing through the cold storage, our production expense is one cent per quart.

Q. What does that include?—A. That includes the receiving of the milk into the plant, the cooling, the passing through the holders, heating, holding, cooling again, passing through the filter, down to the bottlers, into the bottles—first of all, the washing of the bottles, the filling of the bottles, the capping and passing into the cold storage. Once they pass into the cold storage, that becomes a sales expense with us.

Q. What would be your comment if we were to say that pasteurization costs were approximately one cent a quart, alone?—A. If they were one cent?

Q. Just pasteurization costs alone, one cent a quart; what would be your comment to that?—A. It is a very difficult thing to determine; you have to take that one piece out of the process and say what it costs. You say your car costs so much a mile to run. I might ask you how much of that does it take to turn the engine over without moving the vehicle itself. It is difficult, without great expense.

Q. I would say that the greater part of that one cent per quart that you mentioned there was taken up in the other services, and not in pasteurization?—A. No, I think the greater part would be in pasteurization itself.

Q. The greater cost would be?—A. Yes, I think so.

Q. Have you got the total quantity of fluid milk that was purchased by your company in 1932?—A. Yes, 55,150,428 pounds.

Q. That is well on to twice the amount of any company whose evidence we have had yet. How do you pay for that milk, Mr. Ruttan? Have you an association price?—A. Yes, we pay for all milk on the basis of $1.45 at Winnipeg for milk containing 3·4.

The CHAIRMAN: Winnipeg—you mean Toronto?

The WITNESS: I am not in Winnipeg. Toronto.

By Mr. Tummon:

Q. You pay $1.45?—A. For 3·4 per cent butterfat; $1.45 per hundred for milk containing 3·4 per cent butterfat, and with a differential of four cents per tenth of a pound of fat, either down or up from 3·4.

Q. Either up or down?—A. Either up or down.

Q. Have you what you call surplus milk in Toronto?—A. Yes, we have.

Q. Can you give us the quantity of that milk that was purchased or was paid for at the association price?—A. Yes. We purchased 44,709,000 pounds at association prices.

Q. And the balance, amounting to approximately 10,000 pounds was paid for— —A. 10,441,428 pounds.

Q. That was paid for at surplus prices?—A. Yes, surplus prices of ·912 average.

By the Chairman:

Q. 91·2 cents?—A. Yes, 91·2 cents.

By Mr. Tummon:

Q. You spoke a moment ago about hold-backs, Mr. Ruttan?—A. Yes.

Q. Will you explain to the committee just what you mean by that?—A. Yes. With our direct shippers we arrange to give them a quota, or rather arrange with them a quota which they may ship every day. We have to arrange for the peak load for our milk, and naturally this quota at certain times would be in excess of our requirements. Therefore we notify them to hold back their milk when the supply is going up too high, and they may hold the entire thing on their farm one or two days a week. Now, they may, if they so desire, ship their milk to us. It would just be paid for at the surplus price. They may retain it on their farm, if they so desire. The same thing is true of their quota, if they desire to ship in excess of their quota, they have the privilege of doing so.

Q. Have you a table there, or did you bring the information which shows the price per quart that that milk cost you?—A. The price per quart?

Q. Yes?—A. Yes, all our milk purchased at the regular price—that is per hundred—

Q. What you disposed of as fluid milk?—A. We paid $1.50½ per hundred.

Q. You have not that worked out in quarts?—A. Yes. The cost of our product per quart is 3·79 cents.

Q. What was the average price per quart sold in 1932?—A. 9·24 cents.

Q. The spread would be what?—A. Our net spread, the actual net spread, was 5·36 cents.

Q. 5·36 cents?—A. Oh, I am looking at the wrong chart.

Q. Yes, that does not figure out.

The CHAIRMAN: That does not correspond.

The WITNESS: I was looking at the cost of our product in the plant; that is right. The value per quart of our product was ·0388. I gave you the wrong figure.

By Mr. Tummon:

Q. ·0388?—A. Yes.

Q. The average price per quart sold was what?—A. ·0924.

Q. All right; we have that right. Now, the spread between the two?—A. ·0536.

The CHAIRMAN: That is right.

Mr. TUMMON: Yes.

By Mr. Tummon:

Q. Now, Mr. Ruttan, have you the figures there that will account for that spread? Will you break it up, that spread?

The CHAIRMAN: If you care to be seated, do so, Mr. Ruttan.

The WITNESS: It is a little difficult for me to see these figures at that distance.

By Mr. Tummon:

Q. All right, just be seated?—A. I can give you the table here that I have worked out. We will see if this will meet your requirement, sir. The sales value of our quart, ·0924; the cost of the product into the plant, ·0379.

Q. How do you get the difference between ·0388 and ·0379?—A. That is handling into the plant.

Q. The cost of your product into the plant is 03·79, you said?—A. Yes, the cost of the product in our plant.

Q. How do you make the difference between that price and the one you gave me a moment ago of 03·88 as the price per quart; it is only a decimal there. —A. Yes. Various adjustments such as inventory and that sort of thing; carry-overs would enter into that.

Q. You say your spread between your cost price and your average selling price per quart is 03·38?—A. Yes.

Q. I would like you to break that up, Mr. Ruttan, if you can, and tell us what enters into that spread, how that spread is made up?—A. That is just the table I was giving you here. The cost of production, production expense, one cent; selling and other expense, four cents; container loss, ·15 cents, that is ·0015; income tax, ·0003; net profit after income tax, ·0027, making a total cost and net profit of ·0924.

Q. Have you a table there giving that?—A. Yes.

Q. Will you file that with the clerk, please?—A. Yes, I will be glad to.

Q. Does Borden's Limited own other distributing companies in Toronto?—A. Yes.

Q. What other companies?—A. Caulfield's.

Q. That is the only other distributing company they own there?—A. The only fluid milk distributing company that they own, yes.

Q. Do they cover the same districts with their wagons that your wagons do?—A. They are competing in the same city, and naturally in certain places they will cross.

Q. Often on the same street, I suppose?—A. Yes.

Q. Have you ever attempted to cut down delivery costs at all?—A. In certain districts where it has been possible, outlying districts, we have saved a little in that respect, but there has only been one district where it could actually be accomplished. As a rule, the housewife wants her milk from a certain distributor, from a certain driver, and they insist on getting it that way; and do what we can, we can't alter it.

Mr. Pickel: Although it increases the price.

By Mr. Tummon:

Q. Have you any collecting stations out through the country?—A. Yes, at Woodstock and Embro. We have two receiving stations.

Q. In regard to the 10,000,000 pounds approximately of surplus milk that you have, what method do you use in arriving at that surplus milk, or what amount of the total fluid milk you receive is surplus milk?—A. I can give you the break-down of that; is that what you mean?

Q. No, what is the method that you use to arrive at the quantity of surplus milk that you have?—A. I don't follow your question. How do we arrive at the quantity of surplus milk that we have?

Q. Yes?—A. You mean, I suppose, the difference of what we actually purchase and what we sell as street sales, that is it?

Q. Yes, perhaps that is it; what I mean by that is this; all milk not required for delivery as fluid milk, as street sales is surplus milk, is it?—A. No, it may be manufacturing milk.

Q. But is it paid for as surplus milk?—A. Not all; we have a different price there, a manufacturing price and a surplus price.

Q. What do you mean by a manufacturing price?—A. Well, in the establishment of our price, we base milk used in ice cream manufacturing, and the standardizing, on a manufacturing price which is higher than the surplus butter-fat price.

Q. Then you have not three different prices for milk, have you?—A. Well, we have, but this surplus price we showed you here combines both.

Q. That combines both the manufacturing price and the surplus?—A. And the surplus price, 91·2.

Q. And your manufacturing price is higher than what is really your surplus?—A. Yes.

Q. Then the surplus price you gave us here is really higher than what your actual surplus price was?—A. Yes, it would average higher than the average surplus alone.

Q. Can you give us the price of the actual surplus?—A. Well, that varies, sir, at the time of the year at which it was received.

Q. Give us the average for the year.—A. I will give you an idea.

By the Chairman:

Q. What is that based on, butterfat prices?—A. Yes. It depends upon the season of the year at which the milk was received. In July there was a higher proportion than October, and the price was lower in July than October. The price varied, but you have got the average of all those things in this price of 91 and 2 that I gave you.

By Mr. Tummon:

Q. If I were shipping to your firm one can a day and that can was surplus, it might be paid at your lowest price. My can of milk may not go into manufacturing— —A. Yes, if it was actually shipped in in excess of your quota it would be surplus it would go into butter.

Q. You have not got those actual prices, or the price of the actual surplus? —A. No.

Q. Have you got the manufacturing price of the surplus?—A. No, I have not got them separated.

Q. What use do you make of the surplus, Mr. Ruttan?—A. Churned for butter.

Q. Only butter?—A. Yes, that would be the disposal of our surplus.

By the Chairman:

Q. No sweet cream?—A. No; we buy our sweet cream independently.

By Mr. Tummon:

Q. You do not take any of the surplus and put it into sweet cream?—A. No.

By the Chairman:

Q. Or manufactured milk?—A. We have an over-abundance of sweet cream; we manufacture a great deal of it into butter.

Q. Do you standardize sweet cream with manufactured milk?—A. Yes, we cut that sweet cream and standardize it with milk.

By Mr. Tummon:

Q. You buy a considerable amount of sweet cream?—A. Yes, we buy from the Dry Milk Company, our own subsidiary.

Q. You do not buy direct from the producer?—A. Very little; there is a little, but very little compared with the total.

Q. Have you the pounds of sweet cream that you purchased during 1932, pounds and weight and butterfat?—A. Cream receipts direct from the shippers, 23,498 pounds, from Woodstock shippers, 34.231 pounds; from Embro, 97,774 pounds; from affiliated companies, 1,743,047 pounds, making a total of 1,898,550 pounds of butterfat.

By the Chairman:

Q. Have you got the total cost price of that?

By Mr. Tummon:

Q. Pounds of butterfat. How many pounds of cream would that be; how many pounds in weight would that amount to?—A. How many pounds of cream?

Q. No, how many pounds in weight?—A. That was so many pounds butterfat.

Q. Yes, I understand that, but I wanted to get pounds of butterfat as well. —A. Well, some of that would be shipped as 40 per cent cream, some as 32 per cent cream.

Q. In a can of 40 per cent cream, you have 80 or 90 pounds, and 40 per cent cream is worth more than 20 per cent cream.—A. Yes, undoubtedly; but you have asked me the total weight of this.

Q. Yes, I wanted the weight.—A. If I could have told you that that was all 40 per cent cream, it would be easy to tell you the weight, but this is giving you the different averages, and it is difficult for me to say. In fact, I have not got the weights.

Q. The cream is all weighed in when it comes in, and tested afterwards.—A. Well, it is shipped either as I say from our affiliated companies as 40 or 32 per cent cream—

Q. Yes, but that is not the weight.—A. I do not think we have got the figure. I shall have to supply it for you.

Q. Perhaps you can send the total number of pounds to the Clerk. You have given us the pounds of butterfat, I should like you to give the total weight of that cream.—A. The total weight in the various percentages of cream as received?

Q. Well, if you want to do it that way, yes.—A. If that is your question, sir.

Q. All I was asking for was this: you say you had so many pounds, 1,898,550 pounds of butterfat, which would simply work out to so many pounds of cream you received in order to obtain that butterfat.—A. I shall be glad to have that calculated and let you know; but it is a question of being exact and giving you the weights as they come.

Q. You must, on your books, have it all totalled up.

By Mr. Bouchard:

Q. You know 35 per cent cream weighs so much, so you have that many pounds of 35 or 40 and so on?—A. I appreciate that, sir. Unfortunately, I have not got that figure here. I would have to look up our books to see how much did come in as 32 and as 40.

By Mr. Tummon:

Q. Will you tell us how many grades of cream you sell in Toronto?—A. We sell 8, 16, 20, 24 and 32 per cent.

Q. That is five grades?—A. Five different grades sir.

Q. You sell that per pint, I presume.—A. We sell it from one-half pints up to quarts.

Q. Can you give us the sale price by pints for 1932?—A. In 1932, the pint selling price of each kind?

Q. Yes. If you have before you the quart price, so much the better.—A. Eight per cent in quarts, $26\frac{2}{3}$ cents; half-pints, $6\frac{2}{3}$ cents.

Q. You have given us half-pints, but pints and quarts would be sufficient.—A. 16 per cent quarts, 53 cents; 24 per cent, quarts 80 cents; 32 per cent, $1.07. These are retail prices, you understand.

Q. That is the retail?—A. Would you like the wholesale price? Twenty per cent cream is a wholesale product only.

Q. I beg your pardon?—A. Twenty per cent is a wholesale product only.

By Mr. Pickel:

Q. What does it sell for?

By Mr. Tummon:

Q. What does it sell for?—A. I have not got this listed here, unfortunately, but we did sell the equivalent of 313,816 half-pints of 20 per cent. I will give you a complete list of those, if you like.

Q. Have you got a list there of the total?—A. Yes.

Q. Will you file it with the Clerk?

The CHAIRMAN: For inclusion in the minutes?

Mr. TUMMON: Yes.

By Mr. Tummon:

Q. Your sweet cream is all pasteurized, Mr. Ruttan?—A. Yes.

Q. In building up the spread between the cost price of your fluid milk and the average selling price per quart of your fluid milk, I presume you have only charged to that fluid milk the pasteurization and factory cost and others that related to that milk?—A. Yes, sir.

Q. You have not charged any of the sweet cream pasteurization and that work to the milk?—A. No; our system permits us to separate those. We had a complete record of those.

Q. I want to say this: in connection with your company the figures that have been given before have all been given very clearly, very intelligently. We have had some difficulties with other companies in that regard. I think that is all.

By Mr. Mullins:

Q. In making up your spread I should like to know if you have charged to equipment the change that I understand was made in your delivery wagons some time ago. I understand there is a part of Toronto where they asked you to put different gear on your wagons.—A. Yes, that is true.

Q. Did that charge come out of the farmers? Was it taken out of the farmers or was it taken out of your surplus?—A. Taken out of our company sir.

Q. Out of what?—A. Taken out of our operating costs, out of our company We had to stand it.

Q. Out of your operation costs?—A. Out of our operation costs; we had to stand the loss.

Q. I understand the village of Forest Hill has passed an ordinance compelling you to put pneumatic tires on your delivery wagons so that they could sleep in the morning, as you came around too early. I think that happened, did it not?—A. Well, it is true, sir, there is an ordinance in effect along that line.

Q. What I want to get at is this; would that come out of the farmers?—A. No, it has not affected the farmer, nor has it affected the consumer. Our company is at the present time experimenting—

Q. They have a perfect right to pay for it, because it is to their benefit, not to the benefit of the farmer, who is the producer.

By Mr. Tummon:

Q. Have you charged them any more for their milk?—A. We have not tried to collect any more. We are just experimenting to see what the cost of this type is.

By Mr. Pickel:

Q. In the figures you have given us in regard to your farm, do you figure overhead?—A. Everything is figured.

Q. Interest on investment?—A. Everything is figured in, no interest on investment, no.

Q. No interest on the $100,000?—A. No.

By the Chairman:

Q. Mr. Ruttan, a large item in the spread seems to be distribution.—A. Yes.

Q. Four cents.—A. Yes.

Q. Your drivers are bonded, I suppose?—A. Yes.

Q. And they get a commission on sales?—A. Yes. They have a base wage of $20 a week, and 3 per cent commission.

Q. Do any of your drivers who travel for the City Dairy traverse the same route?—A. In competition with each other?

Q. Yes.—A. No, not if they know it. They criss-cross, you understand.

Q. It was suggested to me that perhaps one driver traverses the same route as another.—A. No. You mean one following the other?

Q. Yes.—A. No. One route may cross another at certain points, as is necessary in dividing a city. You do not mean a special delivery, do you?

Q. No.

Mr. W. F. Thorne recalled.

By Mr. Tummon:

Q. What companies does the Borden Company Limited own in Hamilton?—A. The present Hamilton Pure Milk Dairies Limited.

Q. Just one company?—A. Just one company.

Q. In Niagara Falls?—A. Borden's Niagara Dairy Limited.

Q. Have you any other companies in Western Ontario?—A. Down in Walkerville and Windsor.

Q. They are distributing companies too?—A. Yes, milk and ice cream.

Q. Then you have factories down there in western Ontario?—A. Under the name of the Borden Company Limited.

Q. They are in relation to the parent company in New York the same as the City Dairy in Toronto?—A. Exactly.

Mr. Ruttan, recalled.

By Mr. Bertrand:

Q. Mr. Chairman, I understand that the City Dairy has a subsidiary in Toronto called the Dry Milk Company?—A. Yes, sir.

Q. The milk bought from the producers by that subsidiary is skimmed; the cream is sold to the City Dairies for sweet cream?—A. Yes.

Q. And the skimmed milk is turned into powdered milk?—A. Yes.

Q. Would you be able to say what price you are paying to the producers for that milk?—A. To-day we are paying 90 cents a hundred.

Q. Ninety cents a hundred laid down in Toronto?—A. Oh, no; at the company's factories.

By Mr. Bouchard:

Q. Irrespective of the fat content?—A. No. That is for 3·5 milk.

By Mr. Bertrand:

Q. What do you mean? You mean that your depots are gathering this?—A. That is, dry milk companies are not located in Toronto, but in the country.

Q. And you ship the cream from the country?—A. From there to Toronto.

Q. From these powder milk companies to the City Dairy?—A. Correct.

Q. And the price is 90 cents f.o.b. factory?—A. Exactly.

Q. Is this considered as your manufacturing price or surplus price?—A. Yes. We consider it manufacturing price.

Q. Now there was one point I wanted to clear up. If I am not mistaken you mentioned a moment ago that you paid to the producers your average price in 1932, ·0388 per quart?—A. Yes, sir. That is the break-down—that includes the cost and premium, buying that milk on a 3·4 basis in Toronto.

Q. Yes, I understand; this is the price paid the farmer for his product, paid to producers less, of course, freight. They would receive this amount, ·0388 less freight charges?—A. Yes, that is true.

Q. And a little later you said the milk in your plant costs ·0379?—A. Correct.

Q. How can you pay the producers ·0388 and this milk a little later on once it is taken from the station into your plant would cost you ·0379?—A. It is inventory adjustment as I tried to explain—very, very slight—the carry-over.

Q. It would cost you ·0379 in the plant; you are not paying ·0388 to the producer?—A. That is the price we actually paid the producer.

Q. It cannot be, Mr. Chairman. There is the transportation from the station to the plant and it costs him lower in the plant than they pay to the farmer?—A. It is the result of a whole year's business, including the inventory taken at the beginning. It is taken from the actual records.

Q. It is taken both ways.

The CHAIRMAN: There was a carry-over, as I understand it, Mr. Bertrand, from last year that enters into that price.

By Mr. Bertrand:

Q. Yes, I understand that; but this means ·11 per quart on an operation of millions of milk, and it just goes to show that the farmers in the vicinity of Toronto are supplying this factory and are really getting ·0388 per quart of milk?—A. Exactly.

Q. And this is going to be broadcasted that it cost that company ·0379?—A. That is all right. That is what they got.

By Mr. Spotton:

Q. I would just like to ask Mr. Ruttan a question. When did you take over Caulfield's?—A. Well, Caulfield's was taken over by the Borden company before the City Dairy Company was taken over.

Q. When?—A. Before the City Dairy Company was taken over.

Q. The City Dairy had taken over Caulfield's?—A. No, sir. The City Dairy did not take over Caulfield's. I think the Caulfield company had been acquired by the Borden's company prior to the acquisition of the City Dairy Company.

Q. I see. The Borden people had taken over the Caulfield's dairy before they took over the City Dairy?—A. Yes.

Q. Do you know what date that was?—A. I am sorry I do not.

Q. It is not long. Perhaps Mr. Thorne could tell us.

Mr. THORNE: 1929. I have not got the exact month.

Q. You took over Caulfield's in 1929 and the City Dairy in 1930?—A. Yes.

Q. That would affect your capital structure in 1929, when you took over Caulfield's.

Mr. THORNE: Whose capital structure?

Mr. SPOTTON: When you took them over you would give them stock.

Mr. THORNE: You mean Borden's Limited?

Mr. SPOTTON: Yes. When you took over Caulfield's.

Mr. THORNE: The present Borden's Limited would have its stock tendered.

By Mr. Spotton:

Q. Is there a representative of Caulfield's here?—A. No, sir.

Q. Were they not asked to come?—A. They were not asked.

Mr. SPOTTON: Mr. Chairman, I would suggest that you have the Caulfield people here. I do not want to have Mr. Thorne think that we are out to persecute his company at all, but I did understand that both Caulfield's and the City Dairy would be brought here, and I would like if Mr. Thorne, who has been very kind and frank and has given us everything we have asked for, would give us the same information from the City Dairy from the time of its inception. I would like to ask Mr. Thorne to give us the total of the reserves that every Borden's institution in Canada is holding at the moment.

Mr. THORNE: As of December 31, 1932, yes?

Mr. SPOTTON: Yes, the reserves of 1932 so we can get the total amount of money on hand December 31, 1932, on call by the parent company. We did not get it from the Montreal company when they were here. I do not know whether they were here or not, but I would like to have the total reserves of your different companies.

Mr. THORNE: If you speak of cash on call you do not mean reserves.

Mr. SPOTTON: I am referring to reserves.

Mr. THORNE: If you want cash alone, that is entirely different from reserves.

Mr. SPOTTON: Your cash reserves, surplus and depreciation.

By Mr. Spotton:

Q. Mr. Ruttan, we are very inquisitive here and we have been asking gentlemen what salaries they are getting?—A. Yes, sir, I have mine worked out for you. With the City Dairy Company, $8,504.88.

Q. That is your salary?—A. My salary from the City Dairy Company.

Q. From the City Dairy Company. Have you another salary?—A. I think I should be frank. With the Dry Milk Company—

Q. You would spoil the reputation that has been built up if you were other than frank?—A. $6,075.12.

Q. That is from one company?—A. The Dry Milk Company.

Q. And $8,000?—A. $8,504.88.

Q. That was the point I made note of. I think when you were buying the sweet cream from the Dry Milk Company you went and looked into the glass and you had a chat with yourself as to what the City Dairy would pay for the cream?—A. It is our subsidiary.

Q. And you managed both?—A. Certainly, I manage both.

Q. How long have you been with the City Dairy?—A. With the City Dairy proper, since September of 1929. Prior to that, with a subsidiary, the Dry Milk Company, since about 1922.

Q. You do not know when their farm at New Lowell was started?—A. No, sir; but certainly prior to that.

Q. My recollection is that many years ago when I visited their plant, which I did occasionally, that it was a commercial transaction. I did not know that you were experimenting with contented cows to get a better class of milk or anything like that. I understood from the men running it that it was a commercial transaction; that they were going to show the farmers how they could make a profit producing milk. It was going to be a kind of model farm. That is before your time?—A. I have never heard it described as anything else but a farm for the production of certified milk. I would be glad to check back on that.

Q. My recollection is that it was to be a commercial thing. I do not know that there is anything else, Mr. Chairman, excepting that I would suggest to you before we leave off with this enquiry that I believe the public whom we represent in the province of Ontario are asking us and expecting us to lay open the development of the City Dairy and Caulfield's from the time they sold their first can of milk in the first organization; I would suggest to you and to your sub committee that you permit us to go into this matter fully. That is what people are most interested in now. It is the old old story of how they kid the troops with the surplus milk. That is well understood. They take no responsibility like any other merchant in buying outright and taking a chance on selling his article. They are protected from all angles. Now, what we want to do is to get at the building up—the mushroom growth of Caulfield's Limited in Toronto. This big company came out and grabbed off a healthy company in 1929. They came over from the United States and they conquered the field. They looked across the fences and saw a fertile field of backward Canadians. They grabbed off Caulfield's and in 1930 they grabbed off the City Dairy. President Roosevelt has said that the time is coming when they must stop speculating with other people's money. Canadians are getting very little return from any stock they hold in the parent company. I would like you to give us an opportunity, Mr. Chairman, to investigate these companies from A to Z and to study their financial workout. Mr. Thorne has been very frank to-day to show us that $1,900,000 can jump to over six and one-half million dollars in this capital structure from 1921 to 1930. We are told about these things in Toronto, and we get letters, but we would like to know more about these two companies.

By Mr. Taylor:

Q. Mr. Ruttan, with regard to the Dry Milk Company, I understand you to say that you separate the cream and sell it to the City Dairy?—A. Yes.

Q. What price do you receive for the cream at the City Dairy?—A. What price do we receive from the City Dairy for—

Q. For the cream. What price does the City Dairy Company pay the Dry Milk Company for the cream?—A. I can give you an average price, 27·57 cents per pound butterfat was the average for the year 1932.

Q. You sell on a butterfat basis to the City Dairy?—A. Yes.

Q. That is practically a butter price rather than sweet cream price?—A. No. The butter price would have been considerably below that at that time.

Q. With regard to powdered milk or skimmed milk powder, how many pounds of milk does it take to make a pound of powder?—A. Well, we will get about 8½ pounds of powder, we will say, to 100 pounds. That is skimmed powder, you understand.

Q. Yes. What is the powder worth per pound approximately?—A. You mean what is our average selling price?

Q. Yes.—A. ·0774 was the average price over the year.

By the Chairman:

Q. Per pound?—A. Per pound, yes, sir.

By Mr. Taylor:

Q. What is that again, please?—A. ·0774.

Q. $7\frac{3}{4}$ cents per pound for the powder?—A. Yes.

Q. And I would just like to hear again—I wasn't just clear—with regard to the number of pounds of powder you get from a hundred pounds of milk?—A. I say roughly $8\frac{1}{2}$— I am going to give you the exact figure.

By Mr. Boyes:

Q. Mr. Chairman, there is just one question I would like to ask. I believe the witness is representing the Toronto City Dairy?—A. Yes, sir.

Q. What other companies are there belonging to the Borden's company in the city of Toronto?—A. The Caulfields company we have just mentioned.

Q. Caulfields?—A. On fluid milk, yes.

Q. The rumour has been circulated recently that the Borden's company have bought out the Silverwoods company, is that right?—A. I know nothing about that at all.

Q. You have no knowledge of it?—A. No.

The CHAIRMAN: Gentlemen, it is 6 o'clock.

Mr. THORNE: Might I correct Mr. Spotton's statements in which he referred to this fund of $6,000,000 as apparently growing from a capitalization of $1,900,000 of the City Dairy Company Limited. That item refers to revenue, or funds from other companies beside the City Dairy company.

Mr. SPOTTON: What is that?

Mr. THORNE: When you spoke of the $6,000,000 odd you said that it came from this capital of $1,900,000. The figure you gave includes revenues from other companies besides the City Dairy.

Mr. SPOTTON: Those are the figures Mr. Bowman gave me as he was going out, of the financial structure as he gathered the data; so, at another sitting you and Mr. Bowman can have that out.

The committee adjourned at 6 p.m. to meet Thursday, April 27, at 10.30 a.m.

CITY DAIRY COMPANY, LIMITED

1932

—	Fluid Milk Quarts	Percentage of Sales Value
SALES	·0924	100·00
Cost of product	·0379	41·02
Production expense	·0100	10·82
Selling and delivery expense	·0400	43·29
Container loss	·0015	1·62
Income tax	·0003	·32
Net profit after income tax	·002	2·93
Total cost and net profit	·0924	100·00

CITY DAIRY COMPANY, LIMITED

1932

—	Cream ½ Pints	Percentage of Sales Value
SALES	·0955	100·00
Cost of product	·0556	58·22
Production expense	·0044	4·61
Selling and delivery expense	·0230	24·08
Container loss	·0008	·84
Income tax	·0014	1·47
Net profit after income tax	·0103	10·78
Total cost and net profit	·0955	100·00

CITY DAIRY COMPANY, LIMITED

1932 SELLING PRICE OF MILK AND CREAM

January 1st, and changes during the year

	Jan. 1st		Feb. 1st		Sept. 16th		Oct. 15th		Dec. 17th	
	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale
Past. Fluid (including Homo.)—										
Quarts	0·11	7½	10	6¾						
Pints	6⅔	5	6	4¾						
½ Pints	5	3	4	3						
Bulk quarts		7½		6¾						
Guernsey and Jersey—										
Quarts	0·17				0·11½					
Pints	9				7					
½ Pints	5	3¾								
Bulk		8½		7¾						
Certified—										
Quarts	0·20									
Pints	13⅓		12							
½ Pints	6⅔									
8% Cream—										
Quarts	26⅔	18								
½ Pints	6⅔	5½								
Bulk quarts		18								
16% Cream—										
Quarts	53	28							40	
Pints	26⅔	20							25	
½ Pints	13⅓	10								
¼ Pints	6⅔	5½								
Bulk quarts		28								
24% Cream—										
Quarts	80	39		37					45	
Pints	40	25		23					30	
½ Pints	20	17		13						
¼ Pints	10	8½		07						
Bulk quarts		39								
32% Cream—										
Quarts	1·07	50		45				40	50	
Pints	53	35		30					35	
½ Pints	26⅔	18								
¼ Pints	13⅓	9								
Bulk quarts		43¾								

CITY DAIRY COMPANY, LIMITED

CREAM SALES, 1932

		$ cts.
8% ½ pints	627,868	38,207 01
16%	2,043,693	194,528 87
20%	313,816	22,090 62
24%	1,075,561	107,173 78
32%	770,864	99,742 63
	4,831,802	461,742 91

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 27, 1933

No. 23

Reference,—Milk and Milk Products.

WITNESSES:

J. H. Duplan, General Manager, Silverwoods Dairies, Ltd.

J. W. Hall, Manager, Silverwoods-Burke Dairy Ltd., Hamilton.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, April 27, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Gobeil, Fafard, Hall, Jones, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Senn, Simpson, Spotton, Stirling, Swanson, Taylor, Thompson, Tummon, Wilson.

The Chairman directed the attention of the meeting to the question of the further procedure of the committee. Discussion followed.

Motion by Mr. Spotton that Caulfields and City Dairies Limited of Toronto be further investigated. Motion carried.

Mr. Tummon for the subcommittee reported to the meeting that the Ontario Milk Producers Association would be invited to appear.

Report adopted.

J. H. Duplan, general manager, Silverwoods Dairies Limited, and J. W. Hall, manager, Silverwoods-Burke Dairy Limited, Hamilton, were called, sworn, examined, and retired.

Witness Duplan to file further evidence with the Clerk of the Committee.

The meeting having adjourned at 12.30 p.m., re-convened at 3.30 and adjourned at 5.15, to meet at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 27, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: We have with us this morning Mr. Duplan of Silverwood's Dairy Limited, and Mr. J. W. Ball of Silverwood-Burke Dairy Limited of Hamilton. We shall now call Mr. Duplan.

J. H. DUPLAN, called and sworn.

By the Chairman:

Q. What is your position, Mr. Duplan?—A. General Manager of Silverwood's Dairy Limited, with head offices in London, Ontario.

Q. You have a statement to give to the committee?—A. Yes, I have.

Q. Will you read it?—A. Yes. Gentlemen, we have the honour to submit for your information the following particulars with respect to our organization:—

Silverwood's Dairies Limited, are—

Distributors of—safe milk, Jersey milk, cream and buttermilk.

Manufacturers of—Creamery Butter, ice cream, evaporated milk, condensed and powdered milk, condensed and powdered buttermilk.

Plants located at—London, Toronto, Hamilton, Windsor, Kitchener, St. Catharines, Peterborough, Brantford, Sarnia, Chatham, Stratford, Guelph, Woodstock, Elmira, Lucknow, North Bay, Sudbury, Forest, Cayuga, Cargill and Fergus.

Capital structure—Silverwood's Dairies, Limited, hereinafter called "The Holding Company" was incorporated in June, 1928, under the Ontario Companies Act as a holding and and operating company. Prior to the incorporation of Silverwood's Dairies, Limited, there were numerous companies operating in the cities and towns of central and western Ontario under the "Silverwood" name and controlled by Mr. A. E. Silverwood. The Holding Company, following its incorporation, entered into an agreement with Mr. A. E. Silverwood, whereby he agreed to transfer the controlling interest in certain of these companies and give an option on not less than the controlling interest in all other companies operating under the Silverwood name. Silverwood's Dairies, Limited, has functioned as a Holding Company and has given supervision to the operations of the various companies under its control. Schedule "A" attached hereto, shows the dates of incorporation of all subsidiary companies, and the dates on which they were acquired by the Holding Company.

An exchange of shares was effected with the shareholders of the Subsidiary Companies, whereby they received shares in the Holding Company in exchange for shares in the Subsidiary Companies. The Holding Company has thus acquired practically all of the outstanding shares in the subsidiary companies, there remaining at this date in the hands of minority shareholders, stock of the value of $2,360.

As at April 1, 1933, the total outstanding stock of Silverwood's Dairies, Limited, was as follows:—

Preference, $3,128,000.
Class "A" no par value, 147,725 shares.
Common, no par value, 25,000 shares.

In addition to the above capital stock, the Holding Company has outstanding 6 per cent collateral trust debentures series "A", in the amount of $241,750. Bonds of the subsidiary companies outstanding in the hands of the public as of April 1, 1933, amount to $219,300, as shown on schedule "B" attached hereto.

Since the incorporation of Silverwood's Dairies, Limited, the following dividends have been paid:—

Period	Preferred rate Per annum	Class "A" and Common rate Per share Per annum
July 1, 1928, to April 1, 1931..	7 %	$1 00
April 1, 1931, to April 1, 1932..	7 %	$37\frac{1}{2}$
April 1, 1932, to April 1, 1933..	$6\frac{1}{4}$%	Nil

Might I just digress for a moment, Mr. Chairman, by giving the committee the information here, just the value I have in this particular instance. In connection with our organization, we have as of April 1, 5,020 shareholders, of which 2,448 are producers of dairy products, and in the main—

By Mr. Bowman:

Q. 4,000 and what?—A. 2,488.

By the Chairman:

Q. Give the first figure, that is what he means.—A. 5,020, of which 2,448 are producers of dairy products, and a number of these—a large percentage, of course, are shippers to our organization. In addition to that, 858 of the employees of the organization are shareholders, making a total of 3,306 shareholders, employees and producers; so that sixty-five per cent of the shareholders in the organization are producers and employees.

By Mr. Bowman:

Q. What company are you talking about now?—A. I am talking about Silverwood's Dairy Limited.

By the Chairman:

Q. The holding company?—A. The holding company.

By Mr. Bowman:

Q. The reason I asked the question, your statement shows total outstanding stock of 147,725 of class A, and 25,000 of no par value.—A. I am reading—I am giving this letter as of April 1, 1933, whereas your audited statement is as of April 2, 1932.

By the Chairman:

Q. It has been reorganized in the meantime, then?—A. No, sir. Our fiscal year ends as of March 31 of each year, and I am presenting to you the last audited statement by the Clarkson, Gordon & Dilworth people; it is obvious that the statement for 1932, or ending March 31, 1933, is not yet ready. It will probably be another thirty days before we can present the statement of last year. The figures I have given here are according to our stock records, the amount of stock outstanding as of April 1, 1933.

By Mr. Bowman:

Q. The only point about it, Mr. Duplan,—I have not before me the statement you are reading from—you talked about 5,020 shares being issued?—A. 5,020 shareholders.

Q. What is that?—A. 5,020 shareholders.

Q. Oh, shareholders?—A. Shareholders, yes.

Q. Holding the total amount of stock?—A. Holding the total amount of stock as shown on the statement.

Q. As shown as having been issued?—A. Yes.

> Since the incorporation of Silverwood's Dairies, Limited, the following dividends have been paid: From July 1, 1928, to April 1, 1931, 7 per cent on the preferred stock and $1 per share on the Class A and common; from April 1, 1931, to April 1, 1932, 7 per cent on the preferred stock and 37½ cents on the Class A and common, per share; and from April 1, 1932, to April 1, 1933, 6¼ per cent on the preferred stock and no dividend on the Class A and common.

By the Chairman:

Q. By the way, is that preferred stock cumulative?—A. Yes.

Q. And seven per cent stock?—A. Yes, and cumulative.

> The personnel of the directorate and officers of the company is as follows:—
>
> Mr. A. E. Silverwood, London, President;
> Mr. W. E. Robinson, London, Vice-President;
> Mr. R. G. Ivey, London, Director;
> Mr. Geo. H. Belton, London, Director;
> Mr. E. W. Nesbitt, Woodstock, Director;
> Mr. E. K. Reiner, Wellesley, Director;
> Mr. W. H. Carruthers, Toronto, Director;
> Mr. J. H. Duplan, London, General Manager;
> Mr. J. H. Gillies, London, Secretary-Treasurer.

That concludes my brief, Mr. Chairman, with the exception of the matter which you requested, the salaries of the officers, and I will be very glad to hand that in a sealed envelope to your Chairman.

Q. Did I understand you to say, Mr. Duplan, that you followed the same method in taking over each one of these subsidiaries?—A. Yes.

Q. Precisely the same method?—A. Yes. If I might add briefly, to clarify the situation, in 1903, Mr. Silverwood opened in the city of London, incorporated what was known as Silverwood's Limited, the first plant in the organization; and then following that, but between 1903, as the brief shows, these various companies were either purchased or acquired in some form or other, under agreement, and were taken into the holding company, these twenty-five companies, as of June, 1928, or immediately following the incorporation of the holding company. It is true that our statement does show a profit of $300,000, the last audited statement.

By Mr. Tummon:

Q. Is that for the holding company?—A. That is the holding company. That audited statement of $300,000 is based, as you will notice, on a sale volume of six and a half millions, or a net profit of five per cent; or if you wish to apply it to 10 cent milk, it is a half a cent a quart. The point that I wish to make clear is that one half of these dividends went back to the producers of the products, who are shippers to our organization, or in the main who are shippers to our organization.

By Mr. Bowman:

Q. Would you explain that last statement a little more clearly?—A. According to the consolidated trading and profit and loss account of our statement, the net profit is $300,039.78; the sales, precluding any deduction, is $6,640,721.95. In other words, the net profit is slightly less than five per cent on the volume; and applying that, if you will, to 10 cent milk, as a matter of illustration, would be half a cent a quart net profit; and in the statement I made as regards shareholders, that 50 per cent of our shareholders are producers of dairy products, and in the main are shippers to our plants, I submit that proportion of the dividend was returned to the producers.

Q. I don't think your figuring is at all correct; at least it will be a very great surprise to me if it is. You talk about having 5,020 shareholders?—A. Yes.

Q. The total number of shareholders?—A. Yes.

Q. Then you say of these, 2,448 are producers?—A. Yes.

Q. 858 are employee shareholders?—A. Right.

Q. What portion of the stock is held by the 2,448 producers?—A. I can't answer your question.

Q. Oh, well, that is the significant question of the whole thing; 2,448 producers can hold a very, very small portion of the stock, which I imagine is the case; while the vast majority of the stock is held by Mr. Silverwood and his associates. Consequently the proportion of the stock held by the producers and shareholders as to the proprietors of the company, might be only as one is to one hundred.—A. It is not that, but I am sorry I cannot answer your question.

By the Chairman:

Q. You have not got the stock sheets here?—A. No, I have not. I am sorry.

By Mr. Bowman:

Q. Then, Mr. Duplan, if you make a statement to the effect that half of the money goes back to the producers, you should have something to support it.—A. I didn't say half.

Q. Half of the profit?—A. I said a proportion of the profit.

Q. Yes, you said half of it.—A. I am sorry, I said approximately one-half of our shareholders are producers.

Q. No, you said one-half of the profit. I am not desirous of putting in your mouth words that you did not say. I trust that you will appreciate that. But you did say that figuring on the basis of 10 cent milk, that you made about half of one per cent, five per cent on your total.—A. Right.

Q. And that half of that profit went to the producers; am I correct in saying that?—A. May I be permitted to repeat my statement, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: My statement, gentlemen, is this, that as of April 1, 1932, there were 5,020 shareholders in our organization, of which 2,448 were producers, and in the main were shippers of dairy products to our various plants; that is approximately 50 per cent of the total number of shareholders; and the proportion of our profit, therefore, fond its way back to our producers.

By Mr. Bowman:

Q. Oh, yes; but that is an entirely different statement than you made before. What you said before was that the producers got one-half of the profit.—A. I am sorry, sir; I was not aware that I said one-half went to the producers, because I was well aware that that was not true.

Q. I know that you have no intention of misleading the committee.—A. That is right.

Q. But that is the statement you made; and that would hardly be supported by what I would surmise would be the ratio of shares held by the producers and the proprietors.—A. Quite true. I appreciate your point.

Q. Have you no record, Mr. Duplan—I have your name correctly, have I?—A. Yes.

Q. Have you no record of the actual number of shares which are held by these 2,448 producers?—A. I am sorry, I don't believe I have.

Q. You see, the fact that you say they held a certain number of stock does not really show us much more than that—

The CHAIRMAN: I think, Mr. Duplan, that the answer to it is that it was an oversight, because that letter to him reads distinctly, among other things, the number and holdings of the stockholders. He has given the numbers but not the holdings.

The WITNESS: No, the total, but not segregated, Mr. Chairman. The only information that I have that might be of value is that under what is known as our milk and sweet cream producers' stock plan, there were 5,088 shares subscribed for. The amount paid up was 68,186.

By Mr. Bowman:

Q. Five thousand and what?—A. 5,088 subscribed for.

Q. That is by the producers?—A. By 465 producers.

Q. By 465 producers?—A. Yes. That would be about 11 shares, would it, per producer; and those shares were of the sale value of $19.50, so that would be about $210 per producer, would it not? Am I figuring correctly?

Q. Well, the only thing is that your proportion is very small, of 2,448.—A. I can obtain that for you, before the day is over, if you desire it.

Q. Yes, if you would not mind doing that?—A. I can get it.

Q. Because if we take the figures that you have presented to us, they really do not present to the committee the proportion of the amount of stock held by the shareholders, distinguishing the class as stock to the producer and employee shareholder.—A. Right.

Q. Possibly I may have interrupted you, or did you complete your statement, Mr. Duplan?—A. I completed it.

Mr. BOWMAN: Mr. Chairman, if I might direct a remark or two to the committee in respect to the rather difficult task which faces me in examining the witness, to bring a fairly clear idea of the affairs of the company to them—

The CHAIRMAN: Mr. Bowman, I am just going to make a suggestion, if you care to make a little study of it, perhaps we can call the other witness, and go into the details of the Burke Dairy.

Mr. BOWMAN: I am afraid it would not assist me very much.

The CHAIRMAN: Very well.

Mr. BOWMAN: Here is the situation; I think perhaps this is the most complicated set-up that we have had up to the present time.

The CHAIRMAN: Yes, it is; I know something of it, because I lived right in the territory, and saw the operations of it while it was being done.

Mr. BOWMAN: Yes. Previously we have been examining the set-up or financial structure of an individual company, more or less; the odd subsidiary might have come in; but here we have as Silverwood's Dairies, Limited, an incorporation which consists of twenty-six companies, as I have noted them or counted them on schedule A, twenty-six different companies doing business in different parts of Ontario, and taken over at different times. Consequently it would present an absolutely impossible task to trace back, even for five minutes or ten minutes, the history of these different companies. So I am going

to suggest this to the committee, if it meets with their approval,—apparently the London company was the original company—I might trace the history of that, more or less, for the benefit of the committee, through the witness, if that is their desire; and then we will see what time we have to trace the matter any further. But it must be in very, very general terms, so far as I am concerned.

The CHAIRMAN: There is another phase of that, Mr. Bowman; I don't know whether you have considered the subsidiary that is here to-day or not. or rather the representative of the subsidiary, the Hamilton Burke Dairy; perhaps after presenting the London end of it for a way, we could get down to that particular feature. We are going to investigate their methods of doing business.

Mr. BOWMAN: I trust that the committee will bear with me.

The CHAIRMAN: Certainly; I think you ought to have all the time that you require.

Mr. BOWMAN: It will take quite a few questions, because it is a very complicated set-up.

By Mr. Bowman:

Q. Bearing in mind the remarks that I have just made to the Chairman, Mr. Duplan, would you be so kind as to take one of these companies, the parent company which I take to be Silverwood's Limited of London, which I see by schedule "A" was reorganized on February 9, 1921, and trace more or less for us the history of the different changes in organization and financial set-up of the company?—A. Inasmuch as I was not a member of the organization, and not as clear on the details as I am on later companies; if you would prefer to take Hamilton—there is nothing I wish not to disclose so far as London is concerned, but I was not with the organization in its early days.

Q. Well, have you the record?—A. I have not the clear record; I have a clear record here of Hamilton.

By the Chairman:

Q. Have you the set-up of Burke's Dairy, prior to its entry into that?—A. Yes.

By Mr. Bowman:

Q. How far back does that go?—A. That goes back to the year in which we acquired it; that is the 26th of March, 1928.

By the Chairman:

Q. But not beyond that?—A. Before that?

Q. Yes?—A. It was only our property at that time.

By Mr. Bowman:

Q. We want to get the history prior to it becoming your property; we want to know more or less from the creation of these companies.—A. This was an individual venture, as I understand it, by Mr. T. A. Burke prior to 1928; and by Burke Brothers—his brother was associated with him—was it not a closed corporation?

By the Chairman:

Q. We are not certain of that; that is what we want to know, among other things.—A. Well, the first we knew about the Hamilton company was on the 26th of March, 1928, the date on which we purchased it, and the first access we had to any of its books.

By Mr. Bowman:

Q. Well, I could go into the matter as far as is available, Mr. Chairman.

The CHAIRMAN: That is the best we can do at the moment.

Mr. BOWMAN: We can then decide what to do.

The CHAIRMAN: All right.

By Mr. Bowman:

Q. Will you give us the total with respect to Silverwood-Burke Dairy Limited?—A. Silverwood-Burke Dairy Limited according to its charter dated 26th March, 1928. Now, the predecessor company was T. A. Burke. The date of the act was April 8, 1928. The assets, the consideration to the predecessor company, in other words, was cash and securities $45,000; preferred shares $75,000 and common shares 2,500 shares of no par value.

Q. Preferred shares 7,500?—A. 7,500.

Q. Common?—A. Common 2,500.

Q. Seven hundred and fifty shares par value, 7 per cent preferred?—A. Yes, sir. 2,500—

Q. Of no par value?—A. In addition to that the bonds as mentioned in the brief, of Silverwood-Burke of $87,500.

Q. Has there been any reorganization since that time?—A. No, sir, that is the basis on which that company was admitted into the Silverwood company.

Q. When it was taken into the holding company, you say there were bonds outstanding $87,500?—A. Yes, sir.

Q. Who was holding these, the preceding owner—Burke?—A. Now held, do you mean?

Q. No, at the time they were taken over; at the time the company was taken over?—A. We held them as Silverwood-Burke Limited, later they were transferred to Silverwood's Dairies Limited.

Q. But the bonds, you say, at the time this company was incorporated in March 1928, there were bonds outstanding of $87,500; who were these bonds distributed to? The general public or to Burke's perhaps as part of the purchase price of the business?—A. They are held in the main by the general public.

Q. Held in the main by the general public?—A. Yes, sir.

Q. And $45,000 cash, I think you said, did you?—A. Yes, sir.

Q. Now, when you talk about $75,000 cumulative—I am speaking about dollars now—cumulative preference stock, is that stock which is at present issued by the present company, or was that stock which was held by the old Silverwood-Burke Dairy Company Limited?—A. That Silverwood-Burke stock was transferred to Silverwood's Dairies Limited dollar for dollar. In other words, $75,000 of Silverwood's Dairies stock was exchanged for $75,000 of Silverwood-Burke stock.

Q. Yes, and what about the 2,500 no par value?—A. Similarly.

Q. It had been issued?—A. In these companies, sir—I don't know that there is any explanation. The stock for the holding company was exchanged dollar for dollar for the original Silverwood's company. In other words, if it were Silverwood's Kitchener Dairy, the shareholders of Silverwood's Kitchener Dairy received dollar for dollar in the holding company for their stock held in the Silverwood's Kitchener.

Q. Did that apply to no par value as well as common?—A. Yes, sir, common and preferred.

Q. You are quite sure of that?—A. I am quite sure I am right on that.

Q. On that non par value stock?—A. Yes, sir, that obviously makes a much more attractive proposition for the shareholders, does it not?

Q. Well, I don't know just what you mean by that?—A. Well, you have the strength of 26 companies comparable with the strength of one.

Q. Oh, I presume the usual advantages or disadvantages of mergers; some of the bigger corporations these days are not so sure mergers have been so good, even for themselves. It may be all right, it may have turned out all right for your business and many others. Well, then, so far as you are concerned in the information which you have at the present time we have just one financial set-up with respect to the Silverwood-Burke Dairy Limited taken over in 1928 by Silverwood's Dairies Limited?—A. I have the entire set-up sir, I will be very glad to give you a copy.

Q. No, no; you have the entire set-up with regard to Silverwood's Dairies Limited?—A. Yes, sir.

Q. But you have no details of the reorganization or changes in the capital structure of subsidiary companies other than what you have given us, which is not the change but just the set-up in the parent company?—A. Quite true, I have the schedule of the particulars of the acquisition of the subsidiary companies from predecessor interests, if that is what you mean.

Q. Well, that is what you have given us in respect to this one company, isn't it?—A. Right.

Q. But you have nothing else?—A. I have it for that, I have given it.

Q. But you have nothing before you at the present time which would trace the history of the company as far as the financial structure is concerned?—A. Apart from that, no.

The CHAIRMAN: Mr. Bowman, are you clear as to how Burke's Dairy became the property of Silverwood-Burke before it was handed over to the holding company?

Mr. BOWMAN: As I understand the witness these are the facts of that kind.

The CHAIRMAN: I would like to have that clear.

By Mr. Bowman:

Q. That Burke Dairy Limited was the result of a sell-out to Silverwood's Dairies limited for $87,500 of bonds, $45,000 cash, 75,000 preferred stock cumulative 7 per cent, and 2,500 no par value shares; is that correct?—A. That is right, sir, according to my record, it is correct.

Q. Have you in hand information with respect to the value that was placed upon the assets of the company at the time this change in ownership took place? —A. No, sir.

Q. Have you any information at all that you could present to the committee to show what of this money, bonds and stock, was transferred to the Burke company for?—A. The plant was appraised by the Sterling Appraisal Company in the regular way in line with all such transfers.

Q. Well, have you a copy of the appraisal before you?—A. No, sir, I have not the appraisal with me.

By the Chairman:

Q. You don't know whether there was anything for goodwill, or anything of that kind?—A. I could not give you any information about that at all.

Q. Anything with respect to depreciation, you can't give us any details with regard to that?—A. No, sir.

By Mr. Bowman:

Q. You can't offer us any details with regard to the amount of cash that was taken over by the new company?—A. No, sir.

Q. Well, is there any other company on this list of 26, which is set up in schedule A, on which you can give us some details along the lines that I am

trying to get at—prior organization, prior capitalization, and changes made from time to time; so as to show the history of the company?—A. I only have the similar information as I have given you on Hamilton.

Mr. BOWMAN: Well, Mr. Chairman, I don't think that presents any picture to the committee.

The CHAIRMAN: No, it does not.

By Mr. Bowman:

Q. Probably we could leave that for one or two other matters. The total preference stock of the Silverwood's Dairies Limited, now the holding company, is set out in your statement at $3,128,000; your class "A" no par value stock at 147,725 shares; now, at what book value are these class "A" no par value shares carried at in your annual statement?—A. You will notice again they are carried at the last audited statement as of April 2, 1932, 33,325 shares—I am sorry, that is preferred—class "A", 975,000 shares carried at 507.

Q. Just a minute, there is a mistake, not 507,000?—A. You are dealing with two different periods. The figures you quoted are April 1, 1933, and the audited statement is April 1, 1932.

Q. Well, then, will you give the comparable figures for these shares in the statement for 1932—the no par value shares outstanding then?—A. The difference is very little but it is in the statement as non voting fully participating class "A" shares 975,000 shares carried at $507,245; authorized, 975,000 shares.

Q. Don't give the authorized?—A. Issued, 147,765 shares.

Q. Very good, the same thing?—A. Right.

Q. What are they carried at in your books?—A. $507,245.

Q. That is about $3.

The CHAIRMAN: About $3.50, I would say.

Mr. BOWMAN: From a rough perusal of it, it appeared to run at roughly $3—I haven't figured it, it might be $3.50.

The CHAIRMAN: Pretty near $3.50—that is immaterial, I can't say exactly, but it is between $3 and $3.50.

The WITNESS: Well, the amount would simply represent the sale price on 147,765 shares of that stock.

By Mr. Bowman:

Q. What do you mean, sale price?—A. For the basis on which it has been sold, it has been sold in different unit values, of course.

Q. In what way?—A. Well, so many shares of preferred plus so much common was sold at a fixed amount in the early history of the company, then later it was sold separately as preferred and separately as Class A; in other words it was sold in units of stock and sold as shares of stock.

Q. Depending upon which of the companies was taken over, was it?—A. I presume so.

Q. Well you see Mr. Duplan you made the statement a little while ago that when one of these companies was transferred to the parent company you issued stock share for share. Upon what basis was it issued share for share?—A. Then of course there was further stock—either share for share, or sold within the organization.

Q. Subsequently?—A. Subsequently.

Q. When were these sales made?—A. Two, or four or five years ago.

By the Chairman:

Q. When was this class A stock authorized?—A. It was authorized by the incorporation of Silverwood's Dairies Limited.

By Mr. Bowman:

Q. You can hardly imagine a company putting on a sale of no par value stock, can you; which you carry in your books at $3.50, the public would not be interested in an issue of that kind.—A. Of course, it was sold at various prices. I appreciate that. As the stock grew more valuable the price fluctuated.

Q. I asked you the question as to whether or not any of this class A no par value stock was given as bonuses to the preferred shares?—A. Not to my knowledge.

Q. Would you say it was not?—A. I am not prepared to say it was not.

Q. What about the common? Was any of that issued as bonuses to the preferred shares?—A. That common stock, of course, is held by Mr. Silverwood and his family.

Q. No par value?—A. Common shares of no par value 25,000.

Q. They are held by the Silverwood family?—A. Right.

Q. And what were the circumstances in connection with the issuing of that stock?—A. It was issued in lieu of the goodwill, and certain obligations in accordance with the agreements under which these companies were taken on, from Mr. Silverwood.

Q. When?—A. At the incorporation of the holding company.

Q. What date was that again?—A. June, 1928.

Q. That was issued on bonuses?—A. Yes.

Q. For goodwill?—A. That was issued to Mr. Silverwood in the interest of the goodwill with the transfer from the various companies in which he owned or controlled, to the holding company.

Q. And I note that that no par value stock in the year 1928, 1929, 1930 and down to April 1, 1931, paid a dividend of $1 a share?—A. Yes, sir; 25 cents a quarter. You are correct.

Q. In other words, that for the goodwill at the incorporation—the general incorporation of Silverwood's Dairies Limited the Silverwood family have benefited to the extent of $25,000 a year from the sale of the goodwill up from July 1, 1928, to April 1, 1931; is that correct?—A. According to that assumption, yes.

Q. Is my assumption wrong?—A. No, sir.

Q. And from April 1, 1931, down to April 1, 1932, this common no par value stock which was given for goodwill paid dividends of $37\frac{1}{2}$ cents a share?—A. Correct.

Q. And I presume that when business picks up again and the companies can afford it they will continue to give dividends on this 25,000 shares of common stock?—A. Right, we hope so.

Q. Now, let us come back to the Class A for a moment, and may I ask in that connection, Mr. Duplan, when your association with the company began?—A. Eleven years ago, in 1922, sir.

Q. What, during those years, had been your official position with the company? What is your present official position with the Silverwood's Dairies Limited?—A. General manager.

Q. So that you as general manager and as an associate with the company prior to the incorporation of the parent company have a very complete knowledge of the affairs of the company?—A. You must appreciate the fact, sir, and give me the benefit of the fact that I have only been general manager of the company for less than a year and prior to that I was assistant, and prior to that of course, was department head, and naturally I was not closely associated with this incorporation back in 1928 because I was not an officer of the company. I was departmental head at that time. Now, as far as that is concerned—and further I did not understand the basis of the investigation by this committee was purely and simply to delve as deeply as you have into the

financial structure, otherwise I would have brought sufficient information to answer your questions. I understood you were a price finding committee in the interest of the producer and the distributor. All the information I have is along that line rather than the financial structure of many years ago.

Q. I appreciate the difficulties under which you are labouring at the present time. But going back again to class A stock, you were associated with the company, as you say, since 1922. Now, can you not tell the committee from that association with the company under what circumstances this class A common stock was issued? I asked you the question: was it issued as bonuses with preferred shares?—A. Each company, of course, was transferred under agreement with Mr. Silverwood. Now, this agreement, of course, there are certain obligations pertinent thereto. You say—your deduction is that Mr. Silverwood and his family receive $25,000 a year income from that common stock.

Q. It is not a deduction—pardon me for interrupting you—it is not a deduction; it is the fact, according to your company's records?—A. Granted.

Q. And the statement you have submitted to the committee?—A. Granted. Further, as against that $25,000 there are certain obligations in those agreements that are chargeable against that $25,000.

Q. If there is anything of that kind, let us have all the details. We will be glad to have it?—A. These agreements are of a private nature, and I have not them with me, and I am not in a position to give you that information; but I will be glad to get it for you.

The CHAIRMAN: It is only fair to Mr. Silverwood.

The WITNESS: These are personal agreements and I have no authority to disclose the basis of those agreements.

By Mr. Bowman:

Q. No, I understand. It is not because we have misjudged the Silverwoods; we have simply taken the facts from the statement you have presented to this committee?—A. Correct, sir.

Q. Coming back again to that class A common stock which is issued, I asked you was that common stock, or any proportion of it, issued as bonuses to the preference stock?—A. Not to my knowledge.

Q. But I understood you to say a moment ago that you would not state that definitely?—A. No, sir; but I would be very glad to confirm that one way or the other for you.

The CHAIRMAN: Can you tell who holds the class A stock; or has the witness given that information?

Mr. BOWMAN: In a general way.

The WITNESS: Class A stock is held by a number or shareholders—the shareholders I gave you a moment ago.

By the Chairman:

Q. Are they the same shareholders as hold the preference stock?—A. In the main, yes; practically all shareholders hold preferred and class A.

Mr. BOWMAN: I think, Mr. Chairman, that the matter is of very vital importance if we are to know what profits the company is making, because as I have already drawn to the attention of the committee this class A stock has been paying dividends at the rate of $1 a share.

The CHAIRMAN: And 7 per cent on their preferred stock as well.

Mr. BOWMAN: Yes. But the stock which is paying $1 a share during these years from 1928 to April 1st, 1931 and 37½ cents from April 1931 to 1932 is only

worth, according to the records of the company, $3.50 a share, and yet it has been paying $1 annually.

The CHAIRMAN: It is not being sold though.

Mr. PICKEL: A man would be foolish to sell it.

By Mr. Bowman:

Q. You will present to the clerk of the committee a statement setting out since 1928 what proportion, if any, of this class A stock now issued and shown in your statement as 147,000 odd shares was issued as bonuses with the preference stock?—A. I will be very glad, Mr. Bowman; and any question that I was unable to answer this morning, if you will give it to me in writing, I will reply to it in writing for you.

Q. You can take that all as information which the committee is desirous to have?—A. I will be glad to do that for you.

Q. What proportion of this class A stock was issued as bonuses with the preference stock?

By the Chairman:

Q. By the way, we want that information fairly soon?—A. I will be glad to have it either above the clerk's signature or our solicitor or our secretary's, and have it in your hands by Tuesday morning.

The CHAIRMAN: That is all right.

By Mr. Bowman:

Q. In the statement presented to the committee of which I hold a copy in my hand there is reference made to consolidated surplus account as of April 2, 1932. Will you give us any details of that account?—A. Consolidated surplus company to my understanding represents—

Q. You said company; do you mean account?—A. Account—represents the surplus of the appraisal over the book value of the assets of the individual companies as taken into the holding company. In other words, if the company's equipment were appraised and it stands at the book value of $200,000, it is appraised at $208,000. Appraisal figures were used by the auditors and the $8,000 would be carried in the capital surplus account.

Q. In other words, it is a matter of bookkeeping?—A. Quite right, sir.

Q. In so far as that particular account is concerned?—A. In other words, the Clarkson people, and rightly so, in order to have a definite value for the original statements of the company, demanded an appraisal of each and every company. The appraisal, of course, was made and any amount in excess or below the book value was treated as surplus in the surplus account.

Q. In one case it was debited to the account and in the other case it was credited to it?—A. Yes. It is indicated; it is mostly credit.

Q. What is the net balance?—A. It is indicated here, sir.

Q. At what?—A. You can probably tell me where I could put my finger on it; you had it a moment ago.

Q. No. I was looking at the back of your statement. Look over the back of that sheet. It is net profit. That is the consolidated trading and profit account. Consolidated surplus account is at the end?—A. Consolidated surplus account—

Q. $1,359.26?—A. Apparently the amount, as the statements indicates and clearly sets out in the back page, is $153,816 excess of net assets of certain subsidiaries over their purchase price or over the book value.

Q. I cannot see that figure?—A. It is the first paragraph under consolidated surplus on the lower half of the back page.

Q. I cannot see any figures such as you have mentioned—oh, it is in the margin—"surplus at April 4, 1931, after applying $153,816 excess of net assets"?—A. Quite right.

Q. Now you have an amount set up in your record with regard to reserves, I presume?—A. Depreciation and reserve?

Q. Yes. What are your depreciation and reserve at the end of last year?—A. Reserve for depreciation was $1,491,044.07. It is on the centre of the first page, the inside page. Do you wish the rates? Did you say rates or reserve?

Q. Would you give the details of that?—A. Well, the schedule of depreciation rates, as used by our auditors, are as follows: plant machinery and equipment, 5 per cent; clothing equipment, 5 per cent; iceless cabinets, ice cream electric cabinets, 10 per cent; trucks and autos are divided into two districts, one district 25 per cent, and the other 15 per cent; horses, divided into districts, one 15 per cent, and the other 10 per cent. I will explain that by saying in certain large areas we find the life of a horse and truck equipment is much smaller than in the smaller points, comparable, for example, with Toronto and Guelph. In Toronto, the life is smaller, and we have the higher rate of 15 per cent and the others are at 10; wagons and stable equipment on the basis of $7\frac{1}{2}$ per cent; office equipment on the basis of 10 per cent, and buildings on the basis of $1\frac{1}{2}$ per cent.

Q. That is the standard you have set out throughout your organization?—A. That is throughout the organization, and you will find it is much less than what we would be permitted to use under government supervision, if we desired to do so.

Q. That is, you have probably read the evidence which has been presented by different companies with respect to the basis of depreciation—.A. I have seen very few of those reports, sir.

Q. One of the Borden organizations yesterday set up certain figures for depreciation, and two or three of the other companies follow the strict rates which are allowed in making income tax returns.—A. Right.

Q. But you say your rates are fixed on a lower basis.—A. Lower.

Q. You find that in actual practice the depreciation you set up is ample?—A. Reasonably so, yes. Might I just make this remark, sir. I wish to draw the attention of the committee to this fact that after all has been said in connection with the dividends of our company, the surplus of the organization, as at this statement, is the mere sum of $1,360, which indicates the company has paid dividends to its shareholders rather than creating those enormous surpluses that are quite customarily seen.

Q. Well Mr. Duplan, while that shows as your surplus, still you have other ways of setting up surplus, have you not?—A. Not according to the statement, sir. If there are, I would be glad to discuss them with you.

Q. For instance, you have reserves for depreciation.—A. Quite correct; but it is only ample to take care of the desired depreciation, is it not?

Q. Yes, at the same time you keep your plant up to 100 per cent, do you not?—A. Yes, sir. We consider that depreciation is ample.

Q. Yes.—A. My point, Mr. Bowman, is to explain that our depreciation is not excessive, and that our desire to pay dividends to our shareholders reflects in the small surplus of $1,360 in an organization the size of ours.

Q. Well, you will appreciate the difficulty under which we are labouring in glancing at a statement of this kind. Still I cannot concede that an organization such as this would show an actual set up on the little surplus of $1,360?—A. Notwithstanding that, it is a fact, sir.

Q. All right, I will accept your statement.—A. My only desire, in fairness to our organization, is to have the committee distinctly understand the reason for that small surplus.

Q. Yes, but at the same time, you have set up a very, very large account. You say it is reasonably ample for depreciation, which, after all, is another kind of reserve, is it not?—A. Quite true.

Q. And the reserve in this particular case is $1,491,044.07.—A. True. Are we not entitled to it?

Q. I am not questioning that at all. What other reserves do you set up besides that?—A. Well, we have a prepaid expense here of milk routes, purchases and expansion.

Q. Yes, what reserve have you set up there?—A. $439,806.94.

Q. Yes?—A. We have a further one, cream top bottle patent licence, less written off, $90,000.

Q. Anything further?—A. Those are the two large amounts, sir.

Q. You have organization expenses?—A. Expansion.

Q. Written off at $39,229.17?—A. Right.

Q. Bringing the total reserves up to $1,022,029.78.—A. Yes, sir.

Mr. PICKEL: $2,000,000.

Mr. BOWMAN: I am not looking at the right figure.

The WITNESS: You did not include depreciation.

By Mr. Bowman:

Q. Plus reserves for depreciation, which would bring it up to something over $2,500,000?—A. Yes.

Q. What reserve do you set up for bad debts?—A. Bad debts reserves are set up according to schedule, $76,000.

Q. $76,000?—A. Yes.

Q. That is your total reserve at the present time?—A. Yes, as at the date of this statement.

Q. What reserve did you set up last year, 1933?—A. I am sorry I cannot give you that authentically; it is not an audited statement.

Q. Can you give it to me approximately?—A. I do not believe I have that information, I am sorry, sir—$16,080.50. That is for the 11 month period, as at the end of February.

Q. In that reserve, would you just give me roughly what your total business transacted was?—A. $6,600,000 on the reserve, shown on the statement, of $76,000.

Q. I beg your pardon?—A. $6,640,721.95.

Q. That was the business transacted?—A. The total volume of business.

Q. During the year?—A. Yes.

Q. And the bad debts to which you just referred, $76,000 or $77,000 is the reserve set up for bad debts for doing that amount of business?—A. For the year's volume, yes, sir.

Q. On what basis do you work that out?—A. Well, that is done through the analysis of accounts by our credit department.

Q. Through which?—A. I might say that that is chiefly on milk routes. The loss in the dairy business to-day is in the bottled milk department, the sale direct to the consumer.

Q. I was going to say to the committee that the witness is not in a position, apparently, to give us much information with respect to the financial history of any of the subsidiary companies, which were finally taken over by the parent company. I do not know what the pleasure of the committee is in the matter. One of the members of the committee has asked if there is any one in your organization who could give us the details with respect to the matters. —A. Our auditor, our solicitor, or our president.

Q. They could give us that information.—A. Correct.

Mr. SPOTTON: Mr. Bowman, are we clear, or did you get it out to your satisfaction, the date on which the Silverwood promoter went down to see Burkes at Hamilton? What was the valuation of the plant and equipment that day? Was it valued by a regular appraiser, and what did they pay Burkes to get out of business?

Mr. BOWMAN: We have not got that, because the witness has told us he did not know.

The WITNESS: I have not the appraisal with me.

Mr. SPOTTON: We should like to know what Burkes received to get out of the way.

Mr. BOWMAN: We have that on record, yes.

By Mr. Bowman:

Q. Who would be the best man to give us definite information along those lines that I have been asking, the auditor?—A. The auditor.

By Mr. Pickel:

Q. How long has he been with you?—A. He has been with us 14 years.

Mr. SPOTTON: I think Mr. Silverwood would be the better man.

Mr. BOWMAN: Mr. Silverwood is living in London.

Mr. SPOTTON: So is Mr. Duplan.

By Mr. Bowman:

Q. There is one question you might be able to clear up for us, and that is this: while you cannot give us the individual holdings of the stock of the company, can you give us in a rough measure, what stock is held by the producers? You have told us the number of shareholders, but have not given us the amount of stock.—A. Well, I gave you the only information I have, and that was the information I gave out to you.

Q. I have the information you gave me.—A. Well, that is the only information I have.

Q. You have not got any information as to the total amount of shares held by them?—A. No, sir, it would be necessary to segregate that, from our stock records.

Q. I would suggest Mr. Chairman, that Mr. Duplan leave with the clerk the names and holders of the large number of shares, say a thousand shares, and group them as to owner-holders, such as Silverwood's, and secondly, as to producers, and thirdly, as to employee shareholders. Mr. Duplan, I presume you will be able to do that for us?—A. I will be very glad to.

By Mr. Mullins:

Q. Is this a farmers' organization? Have you farmers in the organization?—A. Shareholders?

Q. Yes.—A. Yes, to the extent of the number of shareholders, about 50 per cent.

Q. Fifty per cent farmers?—A. Yes.

By Mr. Pickel:

Q. Mr. Duplan, I should like you to tell me as quickly and briefly as possible what your selling price of milk has been in Hamilton? You can tell me that offhand.—A. Well, I will be accurate, sir. The selling price direct to the consumer, 10 cents a quart and 6 cents a pint.

Q. And cream?—A. 50 cents a quart.

Q. How many grades of cream do you sell?—A. Table cream and the whipping cream.

Q. What do they contain, what per cent?—A. 24 to 25 per cent.

Q. You just sell two grades?—A. No, we sell what is called a breakfast cream, 10 per cent.

Q. Cereal cream?—A. 10 per cent.

Q. Right, and the next?—A. We sell 10 per cent, 24 per cent, and whipping cream approximately 35 per cent.

Q. That is three grades?—A. Yes.

Q. What do you sell your 10 per cent cream for?—A. The 10 per cent cream is sold at 10 cents a half pint and 35 cents a quart.

Q. And your 24 per cent cream?—A. 50 cents a quart; 16 cents a half pint.

Q. And your 35 per cent?—A. 75 cents a quart, 23 cents a half pint.

Q. What do you pay for milk now, purchase price?—A. Purchase price? You mean the base?—A. $1.45.

Q. What is your average?—A. $1.53.

By Mr. Tummon:

Q. Those figures that you are giving us, are they present figures?—A. That is the average price.

Q. Over what period?—A. The eleven months ending the end of February.

Q. Of this year?—A. Yes.

By Mr. Pickel:

Q. One of the committee men suggested to me that perhaps the Hamilton man would be more conversant with those prices than you?—A. It is immaterial. We both have the information identical.

Q. Do you pay for all of your milk on a whole milk basis or do you have a surplus price?—A. We pay a surplus; 11·4 per cent of the milk purchased at Hamilton during the eleven month's period was paid for on a surplus basis.

Q. What do you do with your surplus milk?—A. It is made into butter.

Q. All of it?—A. You are speaking of the organization at Hamilton?

Q. Hamilton especially?—A. Hamilton especially; yes, it would be practically all made into butter.

Q. None of it is separated for sweet cream?—A. No; our sweet cream is supplied by our Woodstock plant.

Q. What do you pay for sweet cream?—A. What would Hamilton pay Woodstock for it? They are paying at the present time 31½ cents a pound delivered.

Q. That is 31 cents a pound butterfat?—A. 31½ cents a pound butterfat delivered at Hamilton.

Q. What is the price of your surplus milk?—A. Our price, or the average over the eleven months' period as paid in Hamilton was $1.02.

By Mr. Loucks:

Q. Is that delivered?—A. That is delivered at the plant?

By Mr. Pickel:

Q. The price you pay for the whole milk, for the street delivery milk was what?—A. $1.53.

Q. That was at the plant?—A. At the plant, yes.

Q. Transportation out?—A. Yes. Don't misunderstand me. $1.45 on the 3·4 basis; our cost is $1.53 because of the fact that it is higher than 3·4.

Q. Do you pay a premium?—A. We pay four cents, four cents a point, yes, sir.

Q. Do you manufacture ice cream at your Hamilton plant?—A. No, sir.

Mr. TUMMON: I don't know, Mr. Chairman, just what—

The CHAIRMAN: I understand, Mr. Tummon, that you and other members of the committee wanted to go down town to attend some function that is going on there. I doubt if we can complete the examination of these two witnesses by one o'clock. I was wondering if we could not sit again at 3.30 or—

Mr. TUMMON: I can stay, and I am twenty after twelve now. I think I can get through.

The CHAIRMAN: Well, just as you desire; I am only making the suggestion. If you are prepared to go ahead, Mr. Tummon, very well.

By Mr. Tummon:

Q. Mr. Duplan, you said it made no difference whether you or the manager of the Hamilton plant gave evidence?—A. Quite immaterial.

Q. My remarks will be directed practically wholly to the operation of the Hamilton plant.—A. It is quite immaterial, sir; whichever you prefer.

Q. It does not make any difference to me; it is whichever one can give the information. That is all we are here for. All right, if you can give it?—A. I think I can; if not, I will call on our Hamilton man.

Q. Can you tell the committee, Mr. Duplan, how many distributing companies there are in the city of Hamilton?—A. No, sir. I can give you the main distributors, the larger distributors.

Q. What are the main ones?—A. What is known as the Hamilton Pure Milk Dairies Limited; and the Hamilton Brothers, the name of their company?

Mr. BALL: The Royal Oak.

The WITNESS: Royal Oak; and Westdale.

Mr. BALL: Acme-Farmers.

The WITNESS: Acme-Farmers; the Toronto concern there, and our company.

By the Chairman:

Q. Acme-Farmers is a subsidiary of Eastern Dairies?—A. Of Eastern Dairies. There are a number of smaller distributors.

By Mr. Tummon:

Q. That number of large, and a number of smaller distributors?—A. There are a number of other distributors.

Q. Who are producers as well?—A. I will ask Mr. Ball to answer that question.

Mr. BALL: I don't think there is; no big producer distributing milk there at all, other than the Farmers' Co-operative Company.

Mr. TUMMON: This gentleman, Mr. Ball, might sit up there with you, Mr. Duplan.

By Mr. Tummon:

Q. You state there would be probably from 15 to 20 different companies that are distributing milk in the city of Hamilton?—A. Yes.

Q. Now, there is a producers' association, I presume, around Hamilton?—A. Yes.

Q. Does that producers' association represent producers that ship their product into Hamilton and also into Toronto; is it an organization, do you know, that covers both those cities?—A. My understanding is that the Hamilton organization is a member of the Ontario organization, and the Toronto organization as well is a member of the Ontario organization.

Q. They practically co-operate?—A. In other words, the Ontario organization is the controlling body of these organizations in the various cities, and they have organizations in the various cities of the province.

Q. So that in arranging the price that distributors will pay to the producers, the distributors of Hamilton meet with the executive perhaps of the producers around Hamilton?—A. A committee of the distributors meet with the executive of the producers' association, yes.

Q. Do all these smaller companies in Hamilton co-operate in that way with the producers?—A. No.

Q. Do the smaller producers maintain the price——A. No.

Q. —that they pay to the producer?—A. Not generally, no.

Q. Do they pay a smaller price, a less price, do you know?—A. According to the information that is tabled at these meetings—we have not that in any definite way—but according to the information tabled, I would say yes.

Q. Do they maintain the price to the consumer?—A. No.

Q. They break the price then perhaps both ways, do they?—A. Quite true.

Q. You pasteurize your milk in Hamilton, I presume?—A. Yes.

Q. Do the by-laws of the city call for a pasteurized product being distributed in Hamilton?—A. I have heard that question, as far as Hamilton is concerned, answered both ways. To my knowledge it is yes. Am I right.

Mr. Ball: Yes.

By Mr. Tummon:

Q. To your knowledge there is a health regulation or a by-law in the city of Hamilton requiring pasteurization?—A. That is the information we have received.

By Mr. Bouchard:

Q. And no certified?—A. Milk from government accredited herds or pasteurized. Am I right?

Mr. Ball: Must be certified milk or pasteurized.

By the Chairman:

Q. What constitutes certified milk; this milk that is from accredited herds or do they have any other process outside of that at all?

Mr. Ball: There is no certified milk being distributed in Hamilton at all, nor I don't think there is in the province; it is almost impossible to comply with the regulation, it is so rigid.

By Mr. Tummon:

Q. Do you deliver a standardized product in Hamilton, milk?—A. What do you mean by a standardized product?

Mr. Bouchard: A standard.

By Mr. Tummon:

Q. Milk that contains a certain amount of butterfat.—A. In other words, what is the butterfat content, the standard butterfat content, of our milk?

Q. Yes?—A. From 3·6 to 3·7.

Q. You maintain that along at that point?—A. Not less than 3·6, and not more than 3·7.

The Chairman: In other words, you mean does he step up or down.

By Mr. Tummon:

Q. What is meant is, supposing you were getting from the producer milk that tests 3·5; how do you bring that up to 3·6 or 3·7?—A. My statement that

our average cost of milk in Hamilton is $1.53 would answer that question, would it not? In other words, the total test of the milk we receive in Hamilton is 3·6; therefore our cost is $1.53.

Q. You mean the average is 3·6?—A. Yes.

Q. But there might be some that was shipped below; some might be 3·4?—A. That is off-set by the person who is shipping 3·8.

Q. Yes, when you mix it together?—A. Yes, it is mixed together.

Q. That brings it up. Supposing you had milk that tested 4·7; how would you bring that down to 3·6?—A. We don't have 4·7 milk, only in jersey.

Q. Does jersey milk not go in with the other?—A. No, it is all sold separately.

Q. And you never have any vats that test 4·7 or along there?—A. Of ordinary milk?

Q. Yes?—A. Not to my knowledge.

Q. Nor to bring it down to 3·6 or 3·7?—A. Not to my knowledge. Mr. Ball might answer that.

Mr. Ball: No, absolutely.

By Mr. Tummon:

Q. You have not any of your daily sheets here at all?—A. We have our recap.; that answers it.

Q. You have not any of your daily sheets, though?—A. No.

Q. In the putting out of 3·6 or 3·7 milk, do you get vats that contain higher than that and have to step it down to 3·6 or 3·7?—A. We have been successful in watching the milk as it comes in and getting the high test milk and the low test milk being added to a vat, so that ultimately we get 3·6 or 3·7 milk. I would not even say that we do not on certain occasions put out a 3·8 milk in Hamilton.

Q. I think, in any event, one of the city regulations was that 3·25 is a minimum.

Mr. Pickel: Why did they set their standard so high, 3·6?

Mr. Tummon: Probably they want to deliver a little better butter fat in milk than the minimum requires.

Mr. Bouchard: Butter fat is cheap.

Mr. Pickel: They don't have to pay so much for it.

By Mr. Bouchard:

Q. As it stands now, I think it is not a tendency of the farmers—you pay 4·4, I understand?—A. 3·4.

Q. 3·4; no but you pay four for each point?—A. Four cents for each point of butter fat above 3·4.

Q. Supposing I am producer; instead of selling my milk as surplus milk, I think I would skim that milk and put the cream in my milk so as to raise it to 3·8 or something like that; do you think it would be a paying operation?—A. Depending on the price of sweet cream and the price of milk.

The Chairman: I am afraid you would have surplus milk just the same.

Mr. Bouchard: No, but if I am not content to sell it as surplus milk, and add a little cream to the ordinary milk so as to raise the standard of that milk, would you state that I will get a higher price for my butter fat out of this milk than out of surplus milk?—A. What do you think of that?

Mr. Tummon: Mr. Chairman, it looks as though I have to go now; if the committee would be agreeable to adjourn until 3.30, I would appreciate it.

The Chairman: I think the committee should. In the meantime, if anybody else wants to ask questions, we can carry on, but with the understanding that we will be here at 3·30 again.

Mr. Bertrand: We could adjourn now until 3.30, if it is the wish of the committee.

Mr. Tummon: Yes. I would like to take the questions up where I left off.

The Chairman: I think you should have the privilege of doing that.

The Witness: May I be permitted to answer a question of the Doctor here, that he asked, why we distribute 3·6 milk?

The Chairman: Yes.

The Witness: Because of competition.

By Mr. Pickel:

Q. On account of competition?—A. Absolutely.

By Mr. Bouchard:

Q. If I am bound to sell 10 gallons of milk and I skim milk and add whole cream to ordinary milk so as to raise the standard of that milk I think, according to what has been said, I would get a higher price for the butterfat out of this milk than I would out of surplus milk; what do you think about that?

Mr. Tummon: Mr. Chairman, it looks as though I would have to go, and if the committee would be agreeable to an adjournment until 3.30 I would appreciate it.

The Chairman: I think the committee should. In the meantime if anyone wants to ask questions at the moment they may do so, but with the understanding that we will be here again at 3.30.

The Witness: What would this milk be worth, is that your question?

By Mr. Pickel:

Q. Do you not require your standard to be 3·6 instead of 3·5—you get a point there that you don't have to pay for?—A. We pay for it the same, 4 cents a point for it.

Q. I understand if your standard was 3·5 you would have to pay 4 cents more if it is 3·6 milk?—A. You are right, sir.

By Mr. Bouchard:

Q. But do you agree with my point that there is a tendency for the producer—.—A. I think you will find, sir, that that prevails in many parts of the province and is more or less governed by the city price for sweet cream and churning cream.

Q. But my point is to sell my milk which I have as surplus not as fluid milk but to skim it and to add a cream to the contract milk?—A. I can only answer that question by saying that it is all depending upon the market value of sweet cream, churning cream, or any other outlet that you might have for your milk.

Q. No, I am not speaking about that?—A. Supposing that you skim your surplus milk and get more for it than you can for the differential by adding it to the whole milk, then you would be well advised to sell it through that channel, wouldn't you.

Q. Yes. But if I have no other channel than surplus milk?—A. I am not saying that you should do it, but I will say that it has been done.

By Mr. Gobeil:

Q. In order to make that point clearer, Mr. Bouchard: the city are paying 4 cents per one-tenth point above?—A. It is not a case of what we want to do, or what we are doing; it is a government regulation.

Q. I mean the price per tenth-point over?—A. It is a government regulation; the government regulation says that whole milk purchased for sweet milk distribution has to be purchased on the basis of 3·4 per cent butterfat, and a 4 cent differential up or down. That is definite, that is a matter of law.

Q. So that, as a matter of fact, if the producer could add to his milk one point of butterfat per hundred pounds of milk, that extra point of butterfat would be worth 40 cents.

Mr. BOUCHARD: That is 40 cents a point; well, if the surplus milk is selling for—

Mr. SPOTTON: They would cut him off then.

By Mr. Bouchard:

Q. Yes; but suppose I have 3·5 per cent surplus milk, I think that is sold for?—A. $1.14.

Q. For $1.14. Instead of selling my milk for $1.14 I will sell it for $1.40, if I just skim the milk and add this cream to the ordinary milk—so there is a tendency then to change the natural standard of the milk; have you noticed that?—A. I can only say that it has been done, I am not speaking for the producer at all.

Q. Yes; would that be a legal procedure under your rules and regulations?—A. I think you have the complete answer to your question in the Act, which says that you must not add to or take from any milk.

The CHAIRMAN: That is for the distributor, I don't think it applies to the producer.

By Mr. Bouchard:

Q. Milk is bound not to be altered in any way by the distributors. I know that the general law is against it; but you admit that it would be a good operation, if I were a producer of milk?

By the Chairman:

Q. Now, professor, let me ask a question along that line will you, just so that I understand it: What is the percentage of surplus milk that you are paying for at the present time?—A. 11·4.

Q. Suppose Professor Bouchard has a farm, and he had 200 pounds of milk, and he tried to dispose of that surplus by skimming it and adding to his original quantity say 20 pounds; that would bring it up to $1.80; but what about the surplus that he would still have?

Mr. BOUCHARD: No, that is not the problem I have put. Suppose, for instance, I have 100 pounds of ordinary milk at $1.53, and I am left with 10 pounds of surplus milk and I just skim my ten pounds of surplus milk.

The CHAIRMAN: Your 10 pounds?

Mr. BOUCHARD: Yes, 10 pounds; and I will get for that on the butterfat basis four cents for each tenth of fat, so I will increase the value of my milk and I will dispose of these 10 pounds of surplus milk at a price of $1.40 instead of at a price of $1.14.

The CHAIRMAN: Yes, professor, but you would still have 9 pounds of surplus milk.

Mr. BOUCHARD: No, the surplus would be taken off.

The CHAIRMAN: That is not the custom that is followed by the distributing plant.

By Mr. Bouchard:

Q. Now, supposing I am a producer and my quota is 200 pounds and I produce 300 pounds, do you see; and your quota is for milk of 3·5. I take this milk at 3·5, and instead of selling my surplus milk over my quota of 200 pounds I skim it and I put the cream in to add to the cream in the ordinary milk so as to make that milk about 4 per cent—which is quite reasonable—and I sell my surplus milk at $1.40 instead of selling it at $1.14?—A. Yes, you have increased have you not.

Q. No, I have not increased the volume?—A. You have taken out a certain portion of cream from your surplus milk and added it to your regular supply?

Q. Yes, but I now have no surplus?—A. Understand me correctly, it is not compulsory for anyone to ship surplus milk so far as we are concerned.

Q. I know that, but if I have no other outlet for my surplus milk?—A. Then we would accept it if you desired to ship it to us.

Q. You what?—A. We would accept surplus milk but we don't ask for it.

Q. I know, but the fact that you have 11·4 surplus milk indicates that the farmers have no other outlet for their surplus milk?—A. That is, at a profitable rate.

Q. Yes.—A. If cheese was profitable naturally that 11·4 per cent would go to the cheese factory, and when they were paying the more profitable rate the cheese factories were getting the surplus milk.

Q. I don't question that, that is not the point?—A. Well, of course, professor the other point is,—you will tell me that if you separate your milk you don't get all the fat out of it.

Q. We don't get?—A. You have a loss in separation.

Q. But very little; of course, more than you get at the factory, but very little?—A. Unfortunately, it is a consideration.

Q. A very small consideration, because if you have a very low test cream you don't lose much fat but when you have a high fat content cream you would lose much more.

The committee adjourned at 12.40 p.m. to meet again at 3.30 p.m., to-day.

The hearing resumed at 3.30 p.m.

Mr. DUPLAN, recalled.

The CHAIRMAN: Mr. Duplan, when we adjourned Mr. Tummon had some further questions to ask you.

By Mr. Tummon:

Q. Mr. Duplan, when we adjourned, I had asked you about the classes of milk you distribute in Hamilton, and I think you said you had practically one class, and that as far as certified milk was concerned, there was very little of it.—A. Our's is all pasteurized milk, sir.

Q. Can you give us the total amount of fluid milk that was purchased by the Hamilton plant? I understand you have not it for 1932.—A. I have it for 11 months, from April, 1932, to February, 1933.

Q. Will you give the committee that? You are dealing now with 11 months, and all your figures relate to that?—A. Yes.

Q. My questions will be confined to that unless I indicate otherwise.—A. We purchased in the city of Hamilton on a regular basis 2,555,328 pounds.

Q. You purchased that on the regular basis. What do you mean by that? —A. That is the milk, as I said this morning, that cost us $1.53 on the average.

Q. What might be known as association price?—A. Association price.

Q. That does not cover milk purchased at surplus prices?—A. No.

Q. Will you give us the quantity purchased at surplus prices?—A. 327,106 pounds.

By Mr. Pickel:

Q. What is the percentage?—A. 88·6 regular, 11·4 surplus.

By Mr. Tummon:

Q. You have already given us the price per 100 pounds of the association milk and the price per hundred-weight of the surplus milk.—A. Yes.

Q. In each case the price quoted meant transportation charges free at your plant door.—A. These are all delivered prices.

Q. During that 11 month period, can you tell the committee what you sold that milk per quart, the average price per quart at which you sold milk during the period of 11 months you are covering.—A. Yes. Our sales price on the average was 9·81 cents.

Q. Have you the price per quart at which it figured out, the purchase price? —A. 3·91 cents.

Q. That gave a spread of how much?—A. 5·90 cents.

Q. Can you break that spread down, Mr. Duplan, and let us know the items that enter into it.—A. Yes. Production expense, the average for the year was 1·17 cents. What I mean by production expenses is the cost of wages plant. Just a moment and I will give it to you definitely. Wages plant, supplies per unit, bottles broken in the plant, light, heat and power, storage and refrigeration.

Q. What is the next item?—A. The next item is what we call sales distribution, or delivery expenses.

Q. Will you give us the items covered by that?—A. Included in that item of sales distribution are, wages to drivers, automobile expenses, stable expenses, advertising per unit, bottles lost or broken outside plant. Those expenses in Hamilton amounted to 3·08 cents.

Q. What is the next item?—A. The next item is indirect expenses.

Q. What is covered by indirect expenses?—A. Indirect expenses cover management, administration expenses, station and office supplies, messages, postage, war taxes, rent, insurance and taxes, group insurance, workmen's compensation, plant upkeep and repair, travelling, general advertising, general donations, interest and exchange, mortgage exchange, repairs, insurances and taxes if any on rented property, bad debts, sundry expenses, depreciation generally, and reserves for Dominion corporation taxes.

Q. How much of your administration costs have been charged up to the fluid milk?—A. We proportion it on the dollar volume.

Q. On the dollar volume?—A. Yes.

Q. So that the figures you are giving us of all those items as regards the cost, are proportioned between your fluid milk and your sweet cream and your butter, and such like, are they?—A. Yes; I would like to point out to Mr. Tummon that the amount of sales distribution of 3·08 cents is an abnormal figure. Generally speaking, that figure is somewhere in the neighbourhood of from 2·3 to 2·6 cents; but due to the fact that our milk business is large in proportion to the area of Hamilton, the cost obviously is higher.

Q. Have you covered all the items that enter into it?—A. Yes.

Q. Those are all the items that make up a total of 5·90?—A. Well, the net profit.

Q. Let us have that.—A. ·370 cents.

Q. Approximately a little better than one-third cent a quart?—A. Yes.

Q. Now then, in regard to your surplus milk, which comprises 11·4 per cent of the total milk purchased, how do you use that milk?—A. That milk was made into butter, and from the butter we sell the buttermilk.

Q. As well as the butter?—A. As well as the butter, yes.

Mr. PICKEL: How much is the buttermilk?

By Mr. Tummon:

Q. A committee man wants to know how much is the buttermilk?—A. How much per quart?

Mr. PICKEL: Yes.

The WITNESS: We sell on the basis of seven cents a quart or 20 cents a gallon in Hamilton.

By Mr. Bouchard:

Q. Made out of fluid milk or out of cream?—A. Made out of cream from the surplus milk.

Q. It is a by-product in your case?—A. Yes. It is not made from the old type of skim milk plus culture; it is not that type; it is straight churned buttermilk; of course there is a certain culture added to it.

By Mr. Tummon:

Q. Mr. Duplan, will you tell the committee whether or not you have some direct method by which you arrive at what is surplus and what is association milk?—A. We find that the producers' association generally request, and we use in many points, the basis of the first month of the quarter of each year. In other words, that is January, April, July and October.

Q. That would be the first month of each quarter?—A. And we take the average. If in the four months we have say 120—you can easily see what it is, 31, and 30 and 31 and 31; that would be 143 days. We take the total shipments—

The CHAIRMAN: 123 days.

The WITNESS: I am sorry, 123 days. We take the total shipments by the individual producer, and we divide it by 123, and that constitutes his daily base. If the total of all the producers shipping to that plant is less or more than the sales requirements, then we increase or decrease the base two per cent or five per cent; if it is short of that amount we build the daily base up to the amount of our total milk requirement.

By Mr. Tummon:

Q. So that you really arrive at an arrangement with the producers' association?—A. In the majority of points, yes.

Q. Whereby you are going to decide what is surplus and what is association?—A. Yes. We permit the president of the producers' association to come to our office, if they so desire, and to check those figures. Only last week we supplied to one of the western Ontario producers' associations the entire figures covering the year, taken on this basis; they had that information presented to their executive, and then came back to us with the report that it was quite satisfactory, and we placed it in effect. In other places, they use the last four months of the year, September, October, November and December, and the first one of the year, in January. We pretty well leave that in the hands of the producers' associations as to what base of compilation they desire.

Q. So that, really, the amount of surplus milk that you pay for to the producer is arranged for or decided upon a basis agreed upon between the producers' association and yourself?—A. According to our record, Mr. Tummon,

I gave you the figure that we purchased and our bottle requirements for that same year was 2,595,000 pounds, so that you can see that that checks almost accurately with what we paid for and what were the requirements of that department.

Q. Now, you sell considerable sweet cream, I understand?—A. Yes.

Q. Quite a sweet cream trade?—A. Yes.

Q. How do you purchase that?—A. We have at Woodstock what we call or term our powder plant; it is separate from our dairy. All the milk purchased for that plant is purchased on what is termed a manufacturing basis. This has nothing to do with the regular surplus. It is not in the same building at all. It is two blocks away. It is paid for at a figure or on a base similar to powder plants and condensors of our competitors. We separate the cream from the whole milk and ship the cream to the subsidiary companies of our organization. They supply London, Brandford, Hamilton, St. Catharines, Toronto and other points; and the skim milk is powdered and in the main is exported to the old country.

Q. That is when the product comes to your Woodstock plant, it comes in the form of fluid milk?—A. Fluid milk.

Q. Can you tell the committee what price you pay for that fluid milk at Woodstock?—A. We paid, for the eleven months, an average price of 84·9.

Q. That is 84·9 cents per hundred pounds?—A. 84·9 per hundred pounds.

Q. Delivered at the plant?—A. Delivered at the plant on the basis of 3·4 and 4.

By the Chairman:

Q. That is calculated on the butterfat price?—A. It is calculated, Mr. Chairman, on the basis of the powdered and condensed milk market.

Q. I mean the whole milk?—A. We buy it at 3·4 and 4.

By Mr. Tummon:

Q. Yes, it is on the powdered and condensed milk market, it is based, not based at all on the sweet cream market; that has nothing to do with it?—A. It has very little to do with it. It has some little bearing, but very little. You can appreciate that in selling that cream at 31½ cents delivered, that there is very little profit as far as cream is concerned.

Q. Have you the records of that Woodstock plant, so that you can tell the committee how many pounds of sweet cream you shipped from that to your other subsidiary plants during the eleven months, Mr. Duplan?—A. We had 12,847,360 pounds, and the average test was 3·43; I could tell you approximately.

Q. Approximately what is that?—A. That is about 26 cans a day.

Q. About 26 cans of cream per day?—A. Yes.

By the Chairman:

Q. 30 per cent cream or what?—A. It runs from the neighbourhood of 35 to 38 per cent.

By Mr. Bouchard:

Q. Is it diluted afterwards or how do they make their 10 per cent cream, their cereal cream?—A. By adding milk.

By Mr. Tummon:

Q. That would run between probably 900 and 1,000 pounds of butterfat per day?—A. Approximately, yes.

Q. Approximately somewhere along there?—A. Yes.

Q. That would mean how many pounds of milk approximately?—A. The average?

Q. Yes, just the average?—A. Well, 12,000,000 pounds of milk over 365 days is about 36,000 pounds.

Q. And the sweet cream would probably account for one-third of the sweet milk that comes in, would it?—A. You have 36,000 pounds—

Q. Per day?—A. Of milk per day, and you ship out twenty-six times eighty; in terms of pounds of cream—

Q. Well, I just wanted to find out the relationship in regard to the amount? —A. About 2,000.

Q. What is the total amount of milk received at your Woodstock plant that went into sweet cream and what went into that dry milk?—A. I would say there is approximately 36,000 pounds of milk, of which 2,100 or 2,000 pounds of it went into sweet cream.

The CHAIRMAN: Hundred?

By Mr. Tummon:

Q. 2,100 pounds?—A. It would be twenty-six cans on the basis of 80 pounds.

Q. Did I understand you to say that just twenty-six cans of milk a day was received?—A. No, twenty-six cans of cream a day was separated from this milk.

Q. And those twenty-six cans of cream per day would represent how many pounds of milk coming into your factory?

Mr. PICKEL: Those are 80 pounds cans?

Mr. BOUCHARD: Yes.

The WITNESS: A can of 82 pounds, and 36 per cent, would be how many pounds of fat—you can easily get at it here, that is 29½ pounds of fat. All the milk, if that is what he wanted—

The CHAIRMAN: Yes, that is what he wants. What percentage of that milk that you receive at that factory is separated?

The WITNESS: It is all separated.

By Mr. Tummon:

Q. Yes, it is all separated; perhaps we can get at it this way: After you have separated it all into cream, what proportion of that cream goes into your sweet cream trade to the other subsidiary plants or goes into your condensor for making dry milk?—A. Well, any of the sweet cream which we are unable to sell on any day is sent to our London plant and is made into butter.

Q. Now, you don't mean to tell us—I am sure you don't—that first of all you bring it into your Woodstock factory in the nature of fluid milk and you separate it there into cream, and then you would ship your sweet cream, we will say to your Hamilton plant?—A. Yes.

Q. And you would take it out on your rigs, on your delivery rigs and then any not sold is brought back into the factory and shipped to your London plant; you would not tell us that?—A. No, I am sorry, Mr. Tummon. Any cream that is returned at Hamilton is made into butter at Hamilton. But you appreciate that this production or receipts of milk vary becauses we have no daily base. We don't operate on a daily base in a powder factory. If a man wishes to ship is 1,000 pounds in June and 2,000 pounds in December, we accept whatever he desires to ship us, so that it does fluctuate in the terms of production of cream; there are certain months of the year when our sweet cream requirements by no means meet the production of sweet cream. Therefore we probably have 10, or 12 or 15 cans of sweet cream in excess of the sweet cream requirements, and that excess amount is sent to our London plant and is made into butter, and the sweet cream that we have not sold, on that particular day is sold to the subsidiary companies of the organization.

By Mr. Bouchard:

Q. What was the average price per butter fat pound for your sweet cream? —A. What did we sell our sweet cream for?

Q. No, that you pay.

The CHAIRMAN: Purchase price.

Mr. BOUCHARD: Yes.

The WITNESS: Well, it was ·849 for 3·43; in terms of butterfat that is—

Mr. BOUCHARD: Thirty-six cents, you said.

The CHAIRMAN: No.

The WITNESS: Twenty-six cents.

By Mr. Bouchard:

Q. Twenty-six cents?—A. Yes, a little over 25 cents, 25 and a fraction, nearly 26 cents.

Q. So that all this milk that goes into sweet cream is bought at the butterfat price?—A. Well, it is bought on a base of 3·4, and then we pay four cents a pound for any butterfat in excess of 3·4 or 4 cents less a pound for any testing less than 3·4.

Q. It is not bought as fluid milk at the association price?—A. It is not bought at association; it has nothing to do with association; it is manufacturing milk.

Mr. TUMMON: The only thing is they get their product for their sweet cream trade in Toronto from the Woodstock plant and other subsidiaries.

By the Chairman:

Q. Have you a condenser at Norwich—have you one at Aylmer?—A. No.

Q. Have you none at Norwich?—A. No.

Mr. TUMMON: The Borden Company have.

The CHAIRMAN: Oh, yes. I beg your pardon.

By Mr. Tummon:

Q. But you pay for the fluid milk, or your Woodstock plant, on the basis of 3·4 did you say?—A. Yes.

Q. Per pound butterfat; you pay that to the producer?—A. Yes.

Q. And when your Hamilton plant buys sweet cream from your Woodstock plant, you, or your Woodstock plant, charge them how much per pound butterfat?—A. Present day prices 31½ cents delivered Hamilton.

Q. And on the present day prices, what are you buying 3·4 for at the Woodstock plant?—A. We buy 3·4 and 4 cents a point; the price there at the present time is 90.

Q. Yes, and you figure that the difference is taken up by—?—A. There is 1½ cent transportation off the price, Mr. Tummon, for delivering cream to Hamilton and the return of the empty cans; approximately 1½ cents—somewhere around one cent, 1¼ cents, 1½ cents.

Q. How many grades of cream? How many do you sell in Hamilton?—A. Three; breakfast or cereal cream, table cream and whipping cream.

Q. Yes, now you gave, I think, to Dr. Pickel this morning, the price you sell that for on the street.—A. Yes.

Q. I don't know that it is necessary to go over that again.

Mr. PICKEL: I would like to have that again.

By Mr. Tummon:

Q. All right, will you just read it off again so we will have it in the record. —A. These prices to the consumer?

Q. Yes.—A. 10 per cent cereal cream is sold at 35 cents a quart, and 10 cents a half pint.

Q. Just the quart.—A. Table cream is sold at 50 cents a quart.

Q. It is 25 per cent cream?—A. 24 to 25; and the whipping cream at 75 cents a quart.

Q. That is 35?—A. Yes, at 75 cents.

Q. And the cereal cream is 10 per cent?—A. 10 per cent.

By the Chairman:

Q. And a proportion of that will be bulk sales?—A. Yes, sold to restaurants, and so on.

By Mr. Bouchard:

Q. There is no relation whatever between the prices, you don't follow the butterfat price in your cream?—A. No, sir, I was just answering your question, I will give you the information that will help you, sir. I can't give it to you for Hamilton, I will give it over the entire organization; 94½ per cent of our sales are regular milk; 2 per cent Jersey; 2½ per cent cream and 1·7 per cent is butterfat; that constitutes our sales.

By the Chairman:

Q. Is that based on revenue?—A. That is based on sales of quarts.

By Mr. Bouchard:

Q. On volume?—A. Yes.

By Mr. Tummon:

Q. That is, everything is brought down to the quart there?—A. These are all on the basis of a quart unit.

By Mr. Bouchard:

Q. That is hardly a fair basis of comparison because one quart of cream in reality bears a greater proportion to the quart of milk.—A. As far as butterfat is concerned, quite true; I was giving it in relationship to the actual quantities.

By the Chairman:

Q. You haven't got it in dollars and cents?—A. Sorry I haven't got it in dollars and cents.

By Mr. Bouchard:

Q. I would like to ask, do you think for instance, 10 per cent cream sold at 35 cents a quart, and 35 per cent cream—whipping cream as you call it—would be sold then at 75 cents; but if you multiply this by 3·5 that would make $1.05 as your basis; then you added cream on a fat point basis and you sell it on another basis.—A. I will be frank and tell you that the cost of cream in any of these denominations is about one half the sale price, approximately half of the sale price.

By Mr. Tummon:

Q. That is what it cost?—A. The cost is about half the sale price.

Q. Half of the sale price?—A. If you take the trouble to figure it out, you will find it is practically correct.

The CHAIRMAN: That is practical information.

By Mr. Tummon:

Q. Now, figuring out the cost is half of the sale price, will you account for the other half?—A. I am very glad to. From the standpoint of profit in the retail business—the bottled milk and cream business—we would very gladly welcome all our sales in milk for two reasons: 38 per cent of the cream bottled is returned by our milk wagon salesmen and has to go back into butter; and 26 per cent of all the cream we sell is sold by means of special delivery.

Q. What do you mean by special delivery?—A. After a route man has serviced the route and the customers on that route want cream, it is then you receive your telephone calls for half pints or whipping cream, or quarter pints of table cream and so on.

By the Chairman:

Q. You are referring to Hamilton?—A. I am referring to the organization in general, although possibly in Hamilton it would be greater than 38 per cent, because in the smaller places like Guelph or Woodstock, we would not have that to such an extent. But that is the general reason we set up for charging the prices we do for cream. It is the cost, first of all, of the special deliveries; and in the second place it is the loss in the high returns of cream daily from our milk wagon routes.

By Mr. Bouchard:

Q. Do you think it is fair to make the regular buyers of cream bear the cost for the special delivery?—A. It is true, it is one price.

Q. Yes, do you think it is fair for the regular consumer, your best customer, that he should bear the cost of special delivery to the capricious customer?—A. Understand me correctly, the person who buys that cream in quantity pays less than 50 cents a quart.

Q. He pays?—A. He pays less, when I say 50 cents a quart, that is in single quarts.

Q. Yes.—A. The man who purchases 4 quarts of cream buys it on the basis of $1.20 a gallon.

Q. That is not my point, what I wanted to make out is that a certain proportion of your cream is returned; another proportion, 26 per cent you said, goes out by special delivery.—A. Yes.

Q. Charged at the same price?—A. Yes.

Q. And the balance is sold straight sale to your regular consumers, do you think it is fair—I am questioning the fairness of it, but I don't know much about marketing conditions at all; but do you think it is fair to charge the regular customer, the one who will take one quart a day, we will say, regularly from your wagons—do you think it is fair to make him pay for the extra cost for special delivery?—A. I agree, there may be certain unfairness about it; but on the other hand it is a case of doing business and meeting the demand for increased service that the public demands to-day.

Q. Yes, the best customers are always penalized, they have to pay for this special service.—A. That is true in a great many lines of business to-day.

Q. Oh yes, it is true with groceries; but I think if it could be remedied it would be a good thing.

Mr. Pickel: He is paying for that service.

The Witness: It is the increased service that the public of to-day are demanding.

Mr. Bouchard: Yes.

By Mr. McGillis:

Q. Over 50 per cent then of your total cream would be returned?—A. 38 per cent.

Q. 38 per cent of the total?—A. Of the bottled cream—of the cream that we bottle.

By Mr. Tummon:

Q. Could you place on record, Mr. Duplan, the total amount in dollars of your sweet cream purchased for your Hamilton plant?—A. I possibly could arrive at it in a few minutes, I haven't it right before me.

Q. Will you do that?—A. I have it in terms of units, and it would take me only a few minutes to figure that out.

Q. What I would like to get is the figure in dollars and cents for your sweet cream purchases at the Hamilton plant, and your figures in dollars and cents for your sales during the same period.—A. Do you wish me to do that now, Mr. Tummon?

Q. Either now or before you leave the committee.

The CHAIRMAN: Do you need it to-day, Mr. Tummon?

Mr. TUMMON: No.

The CHAIRMAN: If you don't need to use it to-day, I would suggest that Mr. Duplan file it with the evidence he is to give us Tuesday morning. Do you segregate the profits on your different products, Mr. Duplan?

The WITNESS: We find that that is not by any means impossible, but the cost involved is so great—it can be done, but we don't follow that procedure.

By Mr. Tummon:

Q. Could you furnish it for any one of your companies, for instance like the Burke plant at Hamilton?—A. I can arrive at it from the figures we have. I have the units, and the price per unit.

The CHAIRMAN: The reason I was asking that is, you say you would rather not have any cream sales at all. I had in mind evidence we had here from the city of Montreal of a company which made $22,000 on their total transactions in milk, and made $132,000 in tenths on cream. Their profits on cream were entirely out of proportion to their profits on milk when you consider the bulk that is involved.

The WITNESS: Yes, of course it is quite probable that they are handling a good deal of that milk in bulk form—sale to hotels, cafes and restaurants; and, of course, that is a profitable business. But I had reference to the table cream that you sell, the percentage of returns and special deliveries; and my statement was that we would prefer to have that cream in terms of milk business rather than in terms of cream.

By the Chairman:

Q. I thought I understood you to say a moment ago that a good proportion of your cream was in bulk sales?—A. Do you mean from Hamilton or Woodstock?

Q. I don't know which.—A. Well, Woodstock cream is all in bulk.

Q. That is, from your central plants where it is manufactured, but your retail sales——A. The relationship between them is this—I can give you that.

Q. Not accurately, just approximately?—A. Well, it is the relationship of 200,000 to 2,250,000 or about 10 per cent.

By Mr. Pickel:

Q. Do you buy any sweet cream, Mr. Duplan?—A. Oh, occasionally; just at those periods of low production we possibly buy a few cans but we have enough within our organization to take care of those requirements.

Q. Is your cream homogenized?—A. The cereal cream is homogenized, but not the whipping cream or the table cream.

Q. Do you make ice-cream?—A. Yes, sir.

Q. What is the cost per gallon?—A. The ice-cream mix?

By Mr. Bouchard:

Q. Before you pass to that, would you mind if I ask a question. Assume that I am a consumer, one of your customers; instead of buying cereal cream at 10 per cent I buy one quart of milk at 10 cents, and I buy half a pint of 35 per cent cream which I add to my milk; I suppose I would have the 10 per cent cream with that. I think the cereal cream is probably the dearest, instead of buying that the consumer might buy just milk and a little portion of your richest cream, enough to bring it up to 10 per cent cereal cream—after all, cream is nothing else than milk which is richer than the ordinary milk, that is all; it is richer in fat content?—A. For example, if you bought milk—we will say certified milk or jersey milk.

Q. Yes.—A. I understand your question, you pay 15 cents a quart for it.

Q. Yes.—A. You would be able to get from the top of that bottle approximately a quarter of a pint of cream, and that cream would test—on 5 per cent milk—somewhere in the neighbourhood of 24 or 25 per cent. Now, then, you pay for a quarter of a pint. It depends upon what value you put on the balance of that milk.

Q. You take your 35 per cent cream and retail it at 75 cents, but on this basis your 10 per cent cream would be sold for $1.05?—A. That is in relation to butterfat?

Q. Yes. The difference between both accounts for three quarts of milk. So that a man would be better off to buy 3 quarts of milk and 1 quart of 35 per cent cream and make 4 quarts of 10 per cent cream?—A. I quite follow you in your reasoning. I say it would be quite sound. It is whatever value you put on the balance of the milk. I think that the average housewife to-day probably will purchase a high testing milk and she removes part of the cream and uses it for coffee, and the balance of that milk is used for cooking purposes. If it is for food for children, obviously she does not take the cream off. It is mixed back into the milk. It will depend upon the purpose you are going to use the bottle of milk for.

Q. I mentioned that, because I am sure if the consumer knew what he is buying that perhaps you would sell less cereal cream because it is the dearest cream?—A. For years there were only two qualities of milk on the market—what was known as table cream and whipping cream—anywhere from 22 per cent, depending on the by-laws in the various municipalities, to 25 per cent, and whipping cream 32 per cent to 36 per cent.

Q. I am surprised that a by-law would authorize the name of cream for this 10 per cent stuff which is—

The CHAIRMAN: Half and half.

Mr. BOUCHARD: Half milk and half cream; and not even that, because cream has a meaning. It is very deceiving.

The WITNESS: In many municipalities you are not permitted to call 10 per cent cream, cream. That is why it has the name of "breakfast treat" or "cereal treat." Take, for example, the city of Stratford. They have a by-law that no cream can be sold less than 25 per cent and be marked cream.

Mr. BOUCHARD: That is very wise.

The WITNESS: And many municipalities have that.

By Mr. Pickel:

Q. Mr. Duplan, would the lay mind be able to tell the difference between 10 per cent homogenized cream and 24 per cent natural cream?—A. In many cases, no. Homogenization thickens or increases the texture of cream.

Q. What is the cost of your ice-cream?—A. When you say the cost of ice-cream, doctor, do you mean the finished product or handed to the grocer for dispensing?

Q. Yes.—A. And do you wish to include electric refrigeration and costs?

Q. I mean the cost of the ice-cream when it is ready for sale?—A. Delivered at the place of sale?

Q. Yes.—A. And including electrical refrigeration?

By the Chairman:

Q. What do you mean by including electrical refrigeration; do you furnish the plant?—A. Yes. For refrigeration purposes.

Q. That all enters into it. The Silverwood's Dairies, as I understand it, furnish the plant in the store that keeps the ice-cream; the refrigerator in the store belongs to Silverwood's.

By Mr. Pickel:

Q. No, I want to know the cost of an ordinary ice-cream mixture—the ingredients that enter into it, roughly, approximately speaking?—A. I can give it to you, sir, as long as I am clear on your question. I am not clear whether you are speaking of ice-cream mix or whether you are speaking of the finished product as it is served to the public.

Q. I mean the frozen product?—A. Exclusive of transportation and electric cabinet service?

Q. Yes.—A. Sure. I will give it to you on vanilla ice cream, because that is cheaper than the flavours. I will give it to you this way, and by deduction I can arrive at it for you. The average sale of our ice cream was $1·442 per gallon for the year. The profit on that ice cream was, before sales tax—

By Mr. Bouchard:

Q. How much butterfat is there in a gallon?—A. We make two grades—a 13 per cent and a 20 per cent. The 20 per cent is very small in volume. It would be $1.33, and that includes electric cabinet expense. I am giving you this figure as approximately correct. It is approximately 22 cents. It includes transportation of 15 cents. That is 37. 37 cents from $1.33 is 96 cents.

By Mr. Pickel:

Q. That is the actual cost?—A. I am giving you the deduction on the selling price, less the profit, less the cost of refrigeration and less transportation. That is the way you asked the question. 96 cents net for the frozen product.

By the Chairman:

Q. At your factory?—A. At our factory.

By Mr. Pickel:

Q. If you were told that a manufacturer of ice cream said that he could produce the product, 12 per cent cream ice cream, for 37½ cents, you would not believe him?—A. Well, now, don't misunderstand me. This includes in the gallonage all types of ice cream,—package ice cream.

Q. That is in packages?

The CHAIRMAN: Bricks.

The WITNESS: Bricks and small pies and little dixie cups and all the rest of it. That is the net as shown on those figures.

By Mr. Pickel:

Q. What is done with the residue of the milk after the separating at your creamery plant?—A. Which plant? It is made into skim powder.

Q. What is the profit on that; is anything made out of it?—A. Very small at the present time. I can give you that figure.

Mr. BOUCHARD: If it were big you would have competition.

The CHAIRMAN: You can give the price per 100 pounds?

The WITNESS: I can give that. Of course, our figure may be slightly higher than some of our competitors because our production is small. We do not manufacture at all comparably with some of these larger people. It is more or less a secondary consideration.

By Mr. Pickel:

Q. What quantity do you manufacture?—A. We manufactured last year 3,634 barrels. A barrel contains 200 pounds. According to the figures of our analysis department our cost on that product was 5·8 cents, and sale 6·1. That leaves us a profit of ·23.

Q. Have you any idea what your profit is on buttermilk?—A. Powdered buttermilk, or condensed?

Q. As you use it fresh?—A. Bottled with the cap on and ready for delivery?

Q. Do you calculate paying the producer anything for buttermilk?—A. Very little. On the other hand, buttermilk is generally sold for from 5 to 7 cents a quart, and the cost of that—as regards the bottling and capping and delivery and plant costs and so on, we have never felt that we have made any profit on buttermilk.

By Mr. Bouchard:

Q. What proportion of the fat is left?—A. In buttermilk?

Q. Yes.—A. It is supposed to be less than 1 per cent if your equipment is working properly; but I appreciate what you have in mind—you are speaking of cultured buttermilk, professor, where possibly half skimmed milk and half whole milk is used.

Mr. BOUCHARD: Yes.

The WITNESS: It is churned buttermilk I am speaking of. I do not wish you to be confused on those two points.

Mr. BOUCHARD: You take out all you can.

Mr. BOYES: The question that Mr. Pickel asked you a while ago was not made very clear; that is the actual cost of a gallon of ice cream in bulk. I think think that is what he meant, instead of having it in pies and bricks and so on. I think he meant the actual cost of a gallon of ice cream.

Mr. PICKEL: That is what I would like, if you can get at that.

The WITNESS: I can give it to you approximately if you will accept it. I would say between 65 cents and 70 cents a gallon, depending on our—

Mr. BOUCHARD: Do you mean 12 per cent?

The WITNESS: No. 13 per cent.

By Mr. Spotton:

Q. When you handed in the list of salaries, to the Chairman, which no doubt will be spread on the records, is there any additional amount given to officers—a lump sum for expenses?—A. No, sir.

Q. The expenses are just turned in?—A. I am very glad to present the list.

Q. No. I am not asking for the expenses; but in some cases we had where a salary of $5,000 was given and a donation to the men who apparently would not have to leave the city of Montreal at all, and they were given travelling allowance of $4,500. You have no lump sums like that given?—A. As far as we are concerned, our policy, in Mr. Silverwood's case down, we have a regular form of travelling expense report which is segregated by days and by expense as to hotel rooms, meals, railway fares and so on. That is segregated and totalled and is approved for each trip, and the only allowance that any officer or travelling executive of our company receives is in the form of a car allowance, and they are allowed 6 cents a mile.

Q. When they own their own car?—A. When they own their own car. Now, in a few cases where it is very difficult, I speak of probably—this includes some of our managers and some of the executives of the company, where it is difficult to arrive at the mileage, a definite amount is given which is approximately $300 a year, or $25 a month for the use of the car on company business.

Q. Another point. We as a committee realize, I think, that the consumer demands service, and, of course, have to pay for that service. Did you mean to say that after your waggons are in from the routes and if Mrs. Jones who lives two miles from your plant in Hamilton phones in in the afternoon for a pint of cream, that you will deliver that to her?—A. Yes, sir.

Q. You do.

Mr. Pickel: And the farmer pays for it.

Mr. Bouchard: The consumers and the farmers, yes.

Mr. Pickel: The producers pay for it.

Mr. Bouchard: That is the unfortunate side.

Mr. Pickel: It is all passed back on the producer.

By Mr. Bouchard:

Q. They will have to pay for this?—A. Might I ask the doctor: if we refused to deliver that pint of cream how long it would be before the other fellow would do so?

Mr. Pickel: I understand; but you admit that the producer—A. I admit—

Mr. Pickel: —that the producer is not getting enough. Do you think he is getting a living price for his milk?

Witness: In many cities, no. I would say in the city of London where the producer is paid a dollar that it is absurdly low.

By Mr. Tummon:

Q. You have several plants which are buying fluid milk. I was wondering if it would be possible—and it would be interesting to the committee, and it would be information that would be valuable to the committee—for you to undertake to file with the committee the different plants where you buy fluid milk and the prices that you pay both for the association price where there are association prices and your surplus price?

Mr. Bertrand: And manufacturing price.

The Chairman: Both for manufacturing and for sales of fluid milk.—A. Please do not confuse manufacturing, because manufacturing is a separate department, in practically each case a separate plant.

By Mr. Tummon:

Q. I understand it is absolutely separate from your fluid milk business, as an example your Dry Milk plant and such like. At those factories where you pay two prices or more, will you furnish us with a list, such as Toronto and Hamilton. Some of your plants, I presume, do not buy milk for fluid delivery at all.—A. We have certain plants which manufacture butter only.

By the Chairman:

Q. Where you just bring in cream?—A. For example, at our Cargill plant we simply buy churned cream from the producer and it is made into butter. That is the only operation in that plant.

Q. What about Cayuga?—A. It is the same.

By Mr. Tummon:

Q. That plant is absolutely in the same position os other small creameries, I suppose?—A. Yes, absolutely.

Q. I did not quite understand that question of 3·65 or 3·67 milk that you mentioned a little earlier in the day. I do not just get it through my mind how you bring your milk up or down, if your average for the day is only 3·6. I do not understand how you get it back to that.

By Mr. Pickel:

Q. You are on the lake shore, are you not?

By Mr. Tummon:

Q. Have you not some daily milk reports, Mr. Duplan?—A. We have our daily receipts; but you understand, Mr. Tummon, in accordance with the government regulations, we take a composite sample out of each producer's milk each day, and that is taken for 14 days from that collection a composite sample is taken, a sample which is tested according to government instructions.

Q. Supposing you bring in a quantity of milk, and it comes from different producers, and it eventually all goes into a vat containing 2,400 pounds, we will say. If you take a sample out of the vat and you find it tests 4 per cent, and you are going to deliver 3·65 or 3·67 milk, how do you get it back to that?—A. I am quite prepared to say that the fluctuations will be from possibly 3·55 to 3·75, and you men know there are no herds to-day producing milk that will produce the same butterfat day in and day out. Probably to-day it would be 3·7 and tomorrow 3·5 and the next day 3·6 and so on. Our milk receivers in our plant are educated to the point where they take the milk of that average, and that goes to the bottling plant. In other words, after they have done it day in and day out, they can arrange that the milk that goes into that vat is on the basis of somewhere between 3·55 and 3·75. Now, that is quite a variation when you stop to consider.

Q. Have you not some daily milk reports in your factories?—A. Not that would show the butterfat. We have our vat tests, of course. Every day our vats are tested before the milk is bottled.

Q. You have those all in the factory?—A. They are retained in the factory, oh, probably anywhere from 3 to 7 days. They are not of much value after the milk has been bottled and sold.

By Mr. Bouchard:

Q. Does it vary much with the seasons?—A. It does vary. As dairymen know, cold weather conditions often at times will affect butterfat to the extent of 2 per cent. That is, ·2.

By Mr. Tummon:

Q. Can you furnish copies of those reports to the committee, for the committee's information, for the week ending 11th February?—A. From any one plant?

Q. From your Hamilton plant.—A. I presume Mr. Ball can do that for you.

Q. The daily milk reports.—A. Do you wish the name of the producer, the amount of milk he shipped and the days?

Q. No. I imagine there must be some superintendent over the place where those vats are, who makes a daily milk report.—A. Quite true.

Q. And that report is filed each day.—A. Of the finished product, the milk that is bottled out of that vat and one bottle is picked out, or two, and we make a check to make certain that the fat content checks with the vat.

By Mr. Taylor:

Q. With regard to the Woodstock plant, I happen to be a producer of milk and selling it to a butter factory—not Silverwood's—and I understood you were buying at the Woodstock plant at an average price of 84 and a fraction cents per hundred.—A. 84·9.

Q. From that milk you separate the cream?—A. Yes, sir.

Q. And you sold it to your subsidiary plants at about 31 cents?—A. That is the present price. It has been sold as low as 28½ cents, which was the low point this year, I believe.

Q. Taking 3·4 milk, I was just figuring in my head that 30 cents would be $1.02 per hundred for sweet cream that you would get from that milk, and then you would powder your skim milk, and from the evidence we had yesterday you would get about 8½ pounds of powder from 100 pounds of skim milk.—A. Our production for March was 8·13 sir.

Q. What price would you be receiving for that powder?—A. I gave that information. The average sales, sir, were 6·12 and the cost 5·87, leaving us a profit of ·25, or aproximately a quarter of a cent.

Q. On the powder, and you would still have your sweet cream from that milk which would more than pay for the milk?—A. Yes. Of course, we are entitled to at least some reasonable consideration for indirect expenses or overhead.

Q. I quite understand. Of course, the expenses of handling that milk does not compare with your delivery in the city?—A. Oh, no.

By the Chairman:

Q. I should like to ask you a question on that line. I understand Mr. Duplan to say that the average profit on a quart of milk was ·37.—A. In Hamilton.

Q. You made a statement this morning—I suppose that was on the whole concern—on the basis of 10 cent milk that you made 50 cents.—A. We were discussing the basis of the—that was the deduction made this morning in my answering Mr. Bowman's question, which was approximately—

Q. I quite understand that, but what I wanted to get was this: are you making more profit out of your other lines of business than you are out of fluid milk?—A. No.

By Mr. Bouchard:

Q. Not even on the cream?—A. Well, the cream is a small part.

Q. It is not so small; when you say 2 per cent in volume, it means a lot of milk.—A. Permit me to answer the Chairman's question by saying there are other plants more profitable in Hamilton. The average for the organization is ·496, so that bears out the statement at practically what was said.

By the Chairman:

Q. The average?—A. Of all plants.

Q. For fluid milk?—A. Fluid milk.

Q. I understood you to say your total profit on all classes of production was approximately ·50?—A. 5 per cent, about 5 cents, 5 per cent.

Q. On the basis of 10 cent milk?—A. Mr. Bowman in his discussion implied it; but this is what we said this morning. We have a volume here of $6,600,000 in business on which we made a net profit of $300,000 or slightly less than 5 per cent.

Q. What did you say about the basis of 10 cent milk?—A. I said if we applied that to 10 cent milk, this 5 cents would be one-half cent a quart.

Q. That is really ·50?—A. ·50; but it happens to be ·49 for the whole organization, so the figure is not far out.

By Mr. Pickel:

Q. What do you pay, Mr. Duplan, in your Cargill plant?—A. We do not buy milk; we buy churned cream.

Q. You just buy the cream?—A. We just buy the sour cream on the butter-fat basis.

Q. There is another point I should like to bring up. The standard for milk in Hamilton is 3·25?—A. According to the government regulations, 3·25.

Q. Now, your standard purchase is 3·6.—A. That is our composite test, yes.

Q. Why do you establish that high standard?—A. Because of competition.

Q. That is the highest we have heard in any place yet. They all buy on the 3·5 standard. You are getting 4 cents— —A. Our standard was until about 2 years ago, around 3·5 for the entire organization. Any place we operated we sold milk at 3·5, set that as a definite policy for the company wherever we operated.

Q. 3·6?—A. 3·5. But due to competition—

Q. Another thing which you asked the producer to pay for?—A. We pay 4 cents a pound for additional fat.

Q. You get 3·6 instead of 3·5?—A. Yes, but we pay them of course. We are paying 4 cents additional.

Q. Above 3·5?—A. Above 3·4. If a man delivers to us 4 per cent milk, he gets 6 points at 4 cents, which is 24 cents a hundred more for his milk.

Q. I understood you to say that the basis that you worked on was 3·6 milk.

Mr. BOUCHARD: To sell.

The WITNESS: To sell.

By the Chairman:

Q. I think Dr. Pickel has some ground for his argument there. The higher the quality of milk you sell, the better product the consumer is getting, and if the extra value is given, it has to come out of the farmer in the end.—A. We pay 4 cents a point and as the doctor says, there is no doubt about it, the producer bears his portion.

By Mr. Bouchard:

Q. Do you sell homogenized milk?—A. Yes.

Q. Do you homogenize all your milk?—A. No.

Q. A friend told me that the maid is not taking the cream out of the milk now.—A. Someone says the boarder gets up at six in the morning, and he gets the first glass, that is why we get homogenized milk.

By Mr. Spotton:

Q. Mr. Duplan, it is not a large item with you or Borden's, but this surplus business seems to be a mysterious thing. It works fearfully and in a wonderful manner in some cities, and makes a lot of bad feeling between the producer

and distributor. Don't you think it would be possible for the distributor to stand on his own feet like any other business man and buy a certain amount of milk each day from each farmer outright, at association prices, if you like, and you take your chance whether you are able to supply your customers, or do what you like with your surplus, and let the farmer keep some of his milk at home. That would assist the community round about who have creameries and cheese factories of their own, and it would not drain the surrounding country of such a lot of milk, which is brought in and manufactured in the city. It would also help the farmer out that could not send his milk to the city, don't you think? Don't you think that the dairy farms could do away with this surplus milk business?—A. Our attitude is that a definite daily base be given to each producer of milk, and that that definitely sets for him his amount on which he knows, when he receives his cheque, he will be remunerated for on the basis of the price as arranged.

By the Chairman:

Q. If he does not exceed that base, he gets no surplus, is that the idea?—A. If he does not exceed the base, he has no surplus.

By Mr. Spotton:

Q. But he persists in sending in the surplus?—A. Well, it is optional; if he does, we handle it to the best advantage.

By the Chairman:

Q. You said that conditions were not good in Hamilton in respect to the competition that is being set up by the smaller organizations and by people who are price cutting both to the consumer and to the farmer; I think you made that statement?—A. Yes. In many cities that is true.

Q. Have you any suggestions to offer whereby such a condition could be eliminated; it seems to me that that is quite a general condition, and that is one of the worst phases of the situation as I see it.—A. Well, as long as distributors can produce milk below the regulation price, we will have price cutting in the bottle milk business.

Q. Well, do you advocate a system of keeping the distribution of milk out of the hands of certain companies; how would you set about to eliminate that price cutting?—A. We would not be in favour of certain companies controlling the milk situation, the distribution; but our feeling is that the price to the distributor for city distribution should be controlled.

Mr. Pickel: To prevent overlapping, you mean?

By Mr. Boyes:

Q. As a public utility; is that a good plan?—A. It possibly has some merit. My answer, Mr. Boyes, is this, that if all the distributors in the city of London were called upon to pay $1.40 for their milk, we would not be selling, in the city of London, seven cent milk.

Q. Some selling at five?—A. We have milk to-day being sold at five cents because it is purchased at eighty.

By the Chairman:

Q. Do they do that to make a profit?—A. I am not in a position to say whether or not it is profitable, but I am in a position to say it is being done. Mr. Boyes, I know, is in a position to verify that statement.

Mr. Boyes: I saw an item in the paper where one man said that he was selling milk at five cents a quart.

Mr. SPOTTON: That is London?

Mr. BOYES: In London.

By Mr. Pickel:

Q. Your company is not a producing association?—A. No, we do no farming.

Q. You are lucky?—A. That is one good fortune of ours.

Mr. TAYLOR: With regard to Mr. Spotton's question in regard to surplus milk, he said they persisted in sending it in. By your statement this morning, I understood you are paying more for that surplus milk in Hamilton than you are paying for the milk at the Woodstock plant, are you not?

Mr. BOUCHARD: At the Woodstock creamery.

Mr. TAYLOR: No, the Woodstock butter factory where they are taking the milk in.

Mr. BOUCHARD: Oh, yes; that is the creamery.

The WITNESS: There is a slight difference. Of course, there is no relationship between the price of surplus milk and the price paid at Oxford, Woodstock. two different relationships altogether; one is made into cream and this skim powdered; and the other one is fluid. I might say, as far as cream is concerned, that our manager at Hamilton—I am quite satisfied that he would have raised this point if he had been a witness—that in the main he pays more to the Woodstock plant than you can go out on the open market and buy sweet cream.

By the Chairman:

Q. That may inure to the benefit of the plant rather than to the farmer, though.—A. But the farmer of course is getting the benefits of the net price.

By Mr. Spotton:

Q. Mr. Duplan, is it so that in London since the producer-distributor, the farmers themselves have been going in and selling direct to the consumer, that that has meant a cut in the price to the consumers of London as low as five cents, and consequently has reacted on the producer sending his milk to a dairy such as yours?—A. Our record shows that on March 1, 1932, the price of milk that the farmer was receiving—may I go back first a year previous to that?

Q. Yes.—A. I will give you as much history as I have here; on January 8, 1931, the price in London was nine cents a quart, and the farmer was receiving $1.35; the price continued for the year, and early in 1932 was reduced to five cents, and the producer received 85 cents. Then on April 26, 1932, the price was adjusted to seven cents, and the producer received one dollar. Prior to 1931 there were very few—I am not in a position to say how many—but there were very few producing distributors distributing milk directly to the consumer in London. But if the information I have received is correct, there are now in the neighbourhood of thirty-three producing distributors.

Q. In the city of London?—A. In the city of London, and the cost to the farmer is that he is getting one dollar to-day instead of $1.35.

Q. Does that mean that thirty-three farmers are distributing their milk direct, or does that represent thirty-three farmers' associations, or groups?—A. No. The information, as I received it from the health department, is that they had issued licences to thirty-three farmers who deliver their milk direct from the farm to the consumer.

By Mr. Bouchard:

Q. Without pasteurizing?—A. Either pasteurized or unpasteurized.

Q. Either?—A. Yes.

By Mr. Boyes:

Q. If unpasteurized, it must be from certified herds?—A. From accredited herds.

By Mr. Pickel:

Q. What are you selling milk for in London?—A. Seven cents.
Q. What are you paying the farmer?—A. One dollar.

By Mr. Spotton:

Q. That is in London?—A. That is in London. That is the lowest price that we have anything to do with in the organization.
Q. Have the chain stores been a factor in London?—A. Very little.
Q. In the breaking down of the price of milk?—A. Very little, Mr. Spotton.
Q. They don't give a quart of milk away with a loaf of bread, like they do in Montreal?—A. No.

The CHAIRMAN: Well, gentlemen, I think that the questioning is becoming more or less casual. Are you satisfied to dismiss the witness?

Carried.

The CHAIRMAN: Very well, Mr. Duplan, thank you very much.

The committee adjourned at 5 p.m., to meet at the call of the Chair.

APPENDIX "B"

SILVERWOOD'S DAIRIES, LIMITED, INCORPORATED JUNE 14, 1928

SUMMARY SHOWING DATES OF INCORPORATION AND DATES OF ACQUISITION OF SUBSIDIARY COMPANIES

Company	Date of Incorporation under Ontario Companies Act	Date of Acquisition by Silverwood's Dairies, Ltd.
Silverwood's, Ltd., London, Ont.	February 9, 1931 (re-organized)	July 1, 1928.
Silverwood's Storage, Ltd., London, Ont.	May 1, 1922	Subsidiary company of Silverwood's, Ltd.
London Cold Storage Co., Ltd.	January 1, 1928	May 28, 1932.
Silverwood's, Windsor	February 18, 1925	July 1, 1928.
Silverwood's, Elmira Creameries, Ltd	March 14, 1927	Oct. 1, 1928.
Elmira Creamery Co., Ltd.	March 14, 1927	Subsidiary company of Silverwood's Elmira Creameries.
Silverwood's, Kitchener	May 31, 1927	Oct. 1, 1928.
" Lucknow	March 31, 1923	Oct. 1, 1928.
" St. Catharines	July 10, 1923	Oct. 1, 1928.
" Chatham	May 1, 1922	April 1, 1929.
" Sarnia	May 6, 1926	April 1, 1929.
" Brantford	April 24, 1928	April 1, 1929.
Brant Creameries, Ltd.	Dec. 24, 1920	Subsidiary company of Silverwood's Brantford Dairy, Ltd.
Silverwood-Burke Dairy, Ltd., Hamilton	March 26, 1928	April 1, 1929.
Silverwood's Peterboro Dairy, Ltd.	Feb. 13, 1930	March 22, 1930.
" Stratford	April 19, 1928	March 22, 1930.
" Woodstock	Feb. 18, 1930	March 22, 1930.
" Toronto	May 26, 1928	April 5, 1930.
" Forest	July 29, 1927	April 5, 1930.
" Guelph	May 11, 1928	April 5, 1930.
" Oxford	May 22, 1928	April 5, 1930.
" North Bay	Feb. 25, 1930	April 6, 1931.
" Sudbury	Dec. 29, 1930	Subsidiary company of Silverwood's North Bay Dairy, Ltd.
" Cargill	May 14, 1927	Aug. 30, 1932.
" Cayuga	March 8, 1928	Aug. 30, 1932.
" Milk Products	Sept. 27, 1928	June 24, 1932.

SILVERWOOD'S DAIRIES, LIMITED AND TWENTY-FIVE SUBSIDIARIES CONSOLIDATED BALANCE SHEET WITH CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT AND CONSOLIDATED SURPLUS ACCOUNT AS AT APRIL 2, 1932

Subsidiary Companies Included in Attached Consolidated Balance Sheet

Silverwood's Dairies Limited, London.
Silverwood's Limited, London.
Silverwood's Storage Limited, London.
London Cold Storage Company Limited, London.
Silverwood's Windsor Dairy Limited, Windsor.
Silverwood's Elmira Creameries Limited, Elmira.
Elmira Creamery Company Limited, Elmira.
Silverwood's Kitchener Dairy Limited, Kitchener.
Silverwood's Lucknow Creamery Limited, Lucknow.
Silverwood's St. Catharines Dairy Limited, St. Catharines.
Silverwood's Chatham Dairies Limited, Chatham.
Silverwood's Sarnia Dairy Limited, Sarnia.
St. Clair Ice Cream Company Limited, Sarnia.
Silverwood's Brantford Dairy Limited, Brantford.
Brant Creameries Limited, Brantford.
Silverwood's-Burke Dairy Limited, Hamilton.
Silverwood's Peterborough Dairy Limited, Peterborough.
Indian River Dairy Limited, Indian River.
Silverwood's Stratford Dairy Limited, Stratford.
Silverwood's Woodstock Dairy Limited, Woodstock.
Silverwood's Toronto Dairy Limited, Toronto.
Silverwood's Forest Produce Company Limited, Forest.
Silverwood's Guelph Dairy Limited, Guelph.
Silverwood's Oxford Dairy Limited, Woodstock.
Silverwood's North Bay Dairy Limited, North Bay.
Davie Brothers Ice Cream Limited, North Bay and Sudbury.

SILVERWOOD'S DAIRIES, LIMITED, AND 25 SUBSIDIARIES (List Attached) CONSOLIDATED BALANCE SHEET

as at April 2nd, 1932

Assets

Cash on hand and in transit	$ 4,814 57		
Cash in hands of buyers and branches	11,674 28		
Cash in bank	25,263 99		
		$ 41,752 84	
Notes receivable	$ 12,233 90		
Accounts receivable	262,129 32		
	$ 274,363 22		
Less: Reserve for bad debts	76,058 24		
		198,304 98	
Inventories—including stores and supplies		235,297 34	
Life insurance—Cash surrender value less loans on policies	$ 37,563 64		
Mortgages receivable	10,100 00		
Sundry investments	3,335 00		
		50,998 64	
			$ 526,353 80
Due from associated companies—less reserves			34,251 56
Capital—			
Assets—at replacement values as appraised by Sterling Appraisal Company, Limited, as at 27th September, 1930, with subsequent additions at cost:—			
Land		$ 285,494 50	
Buildings	$ 1,722,022 93		
Machinery and equipment	1,561,891 79		
Containers and other floating equipment	235,331 76		
Bottles in trade	22,376 89		
Iceless cabinets	897,702 70		
Trucks and automobiles	224,832 49		
Horses	44,121 52		
Wagons and stable equipment	112,169 63		
Office, store and branch equipment	86,318 46		
	$ 4,906,768 17		
Less: Reserve for depreciation	1,491,044 07		
		3,415,724 10	
			3,701,218 60

Assets—Concluded

Prepaid expense		$ 52,261 63
Milk routes, purchase and expansion of	$ 439,806 94	
Cream top bottle patent licence less written off	90,000 00	
Organization expenses, including discount on shares, less written off	39,229 17	
Cost of shares in certain subsidiary companies in excess of book value and later appraisal adjustments	452,993 67	
		1,022,029 78
		$ 5,336,115 37

Liabilities

Bank overdrafts (secured)		$ 15,357 06	
Bank loans (secured)		184,400 00	
Lien notes payable		49,163 50	
Notes payable		24,094 74	
Accounts payable and accrued charges (secured $16,449.86)		306,352 86	
Dividends payable		58,871 15	
Reserve for Dominion income taxes		49,011 09	
Bond and mortgage interest accrued		7,119 26	
			$ 694,369 66
Deferred lien notes payable		$ 9,802 12	
Deferred accounts payable		17,770 33	
			27,572 45
Mortgages payable		$ 171,700 00	
Bonds outstanding		238,650 00	
Amount owing on purchase agreements		257,055 25	
			667,405 25
Amounts received from employees and milk producers in class "A" stock subscriptions subject to return during period of stock plan at subscribers' option on discontinuance of connection with the company		$ 103,482 75	
Minority shareholders' interest in subsidiary companies		2,180 00	
			105,662 75
CAPITAL—			
Silverwood's Dairies, Limited:			
7% Cumulative redeemable convertible preference shares of $100 each—			
Authorized	$ 5,000,000 00		
Issued—33,325 shares		$ 3,332,500 00	
6% Cumulative redeemable convertible preference shares of $100 each—			
Authorized	$ 5,000,000 00		
Issued—Nil.			
Non-voting fully participating class "A" shares of no par value—			
Authorized—975,000 shares		507,245 00	
Issued or to be issued—147,765 shares			
Common shares of no par value—			
Authorized and issued—25,000 shares		1 00	
		$ 3,839,746 00	
Surplus (after applying $153,816 excess of net assets of certain subsidiaries over their purchase price)		1,359 26	
			$ 3,841,105 26
			$ 5,336,115 37

AUDITORS' CERTIFICATE

We have prepared the above Consolidated Balance Sheet of Silverwood's Dairies, Limited, and its twenty-five Subsidiaries (list attached) as at 2nd April, 1932. We have verified the balance sheets of Silverwood's Dairies, Limited, and five of its Subsidiaries (Silverwood's Limited, Silverwood's Kitchener Dairy Limited, Silverwood's St. Catharines Dairy Limited, Silverwood's Peterborough Dairy Limited, Silverwood's Toronto Dairy Limited), and we have also made a general examination of the balance sheets and supporting data of the other twenty Subsidiaries as prepared by the Company's Internal Audit Department. Your solicitors cannot without further examination certify that certain real estate is legally vested in the Subsidiary Companies. Subject to the foregoing, we report that in our opinion the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Silverwood's Dairies, Limited, and its twenty-five Subsidiary Companies as at 2nd April, 1932.

CLARKSON, GORDON, DILWORTH, GUILFOYLE & NASH,
Chartered Accountants.

Toronto, 26th July, 1932.

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT

For The Year Ending 2nd April, 1932

Sales, including inter-company sales		$ 6,640,721 95
Less: Cost of materials	$ 3,659,837 96	
Productive wages and direct expenses	1,722,309 32	
		5,382,147 28
Gross profit on sales		$ 1,258,574 67
Iceless cabinet rentals and other revenue		100,135 32
Gross trading profit		$ 1,358,709 99
Less: Administrative and indirect expenses		693,570 14
		$ 665,139 85
Less: Amortization of patent licence and organization expenses	$ 18,078 41	
Provision for depreciation	326,855 72	
Provision for Dominion Income Tax	20,165 94	
		365,100 07
Net profit		$ 300,039 78

CONSOLIDATED SURPLUS ACCOUNT

2nd April, 1932

Surplus at 4th April, 1931 (after applying $153,816 excess of net assets of certain subsidiaries over their purchase price)		$ 10,997 88
Net profit for the year ending 2nd April, 1932, after providing for depreciation and Dominion Income Tax		300,039 78
		$ 311,037 66
Less. Dividends:		
Four quarterly dividends on preference stock at the rate of 7 per cent per annum	$ 233,124 50	
Two quarterly dividends on class "A" stock of 25c. and 12½c. per share respectively	52,365 00	
Two quarterly dividends on common stock of 25c. and 12½c. per share respectively	9,375 00	
Dividends paid to minority shareholders by subsidiary companies	62 40	
Payments in lieu of dividends to employees and milk producers on subscriptions for class "A" stock	14,751 50	
		309,678 40
Surplus at 2nd April, 1932, carried to consolidated balance sheet		$ 1,359 26

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, MAY 1, 1933

No. 24

Reference,—Milk and Milk Products

WITNESSES:

Ontario Whole Milk Producers' Association, represented by W. G. Marritt, A. Hughes, J. B. Reynolds, and N. A. Fletcher.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Monday, May 1, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs, Barber, Bertrand, Bowen, Gobeil, Hay, Loucks, McGillis, Moore, Mullins, Pickel, Porteous, Rowe, Senn, Swanson, Taylor, Tummon, Weese.

The question of calling further witnesses was mooted by the chairman but left in obeyance till next meeting when a more representative attendance was hoped for.

The Ontario Whole Milk Producers' Association, represented by W. G. Marritt, Secretary, Albert Hughes, President of the London Association, Dr. J. B. Reynolds, President of the Toronto Association and N. A. Fletcher a member of the Executive of the Hamilton Association, appeared, were severally sworn and examined and retired.

The meeting adjourned till Tuesday, May 2, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 1, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn, presiding.

WILLIAM G. MARRITT, called and sworn.

By the Chairman:

Q. Will you give your full name and your position to the committee?—A. William G. Marritt, Toronto, secretary of the Ontario Whole Milk Producers' Association.

Q. Have you a statement to make?—A. Yes.

Q. You had better read your statement.—A. I might state in opening that our president, Mr. Clarke, regrets that he could not come here owing to a difficult situation in Toronto. He expected to be here but could not.

We wish, as representatives of the Ontario Milk Producers' Association, to discuss the milk trade situation in Ontario under the following headings:—

1. General situation in Ontario.
2. Names of Associations and number of farmers affiliated with the Association.
3. Prices in principal markets.
4. The importance of the dairy industry.
5. The effect of other than regular shippers seeking a place in the city market.
6. Milk production for city consumption—a specialist's job.
7. The attitude of the Producers' Association in reference to pasteurization.
8. The effect of sanitary inspection.
9. The effect of pedlars on the dairy industry.
10. The place of chain stores in the milk industry.
11. Dairies not paying producers.
12. Transportation a factor in milk costs.
13. Place of relief milk in the industry.
14. Surplus milk.
15. Recommendations for the stabilization of the industry.

1. *General Situation in Ontario.*

The Ontario Whole Milk Producers' Association came into being in 1932 and began to function as an active going concern in October last. During this six months period really remarkable success has attended its efforts in organizing producers supplying milk for direct human consumption and in securing the cooperation and support of local producers' organizations in the various cities and towns of the province. Its two main objectives are the stabilizing of the fluid milk market and securing for producers a price in keeping with the exacting conditions governing

the production of milk for that market. The need for a Provincial Organization is clearly shown by the co-operation and financial support received during the past few months.

During the last six months the Executive members of the Ontario Milk Producers' Association have visited the cities throughout Ontario to enlist the co-operation of the producers in each section.

The new Organization in the beginning was handicapped by assuming obligations incurred by the previous Association. The first six months have been an organization period. It is expected that during the next year it will be possible to stabilize conditions in the several markets. When the Association assumed the responsibility for the work, the price of milk was $1.45 in Toronto. This is the primary market for Ontario. The price which is set in Toronto affects the price throughout all Ontario and similarly the prices set in the secondary markets affect the price in the primary market of Toronto. Milk is brought into Toronto from twenty counties. The milk shed is one hundred miles West and one hundred miles East of the City of Toronto. This milk being transported to Toronto, the primary market in Ontario, and coming through the other markets of the province greatly affects the price of milk in the secondary markets.

The price of $1.45 in Toronto for 3·4 milk has been maintained with great difficulty during the last four months, owing to the fact that certain municipalities are demanding lower prices for milk for relief purposes. The dairies claim that they cannot supply this milk any cheaper without reducing the price to the farmer, who is the primary producer. The price in Toronto of $1.45 has been held, even though we have had at least one-ninth of the milk being brought into the city at from 15 cents to 20 cents below the Association price. This milk is coming from former cheese factory patrons and creamery patrons. The milk from these dairies is coming in competition with milk bought at Association prices.

In attaining the objectives of the Association, the co-operation and support of all city and town shippers, as well as maintaining cordial relations with all regular and legitimate distributors, is necessary. The distributor is as essential in the trade as is the producer. In other words the production of milk is one thing and the distribution of it to the consumer quite another. These two essential factors in the city and town milk trade must work in harmony to stabilize the market and secure for each his just due, always keeping in mind supply and demand and conditions generally in the production of milk and its products.

The consumer of milk is not being overlooked in the work the Association is endeavouring to do. A guaranteed supply of wholesome and safe milk is appreciated by the average consumer. The health of his family is, or should be, his first consideration in securing a daily milk supply. In addition to safety from a health standpoint, the value of milk as a food for growing children and for adults as well, is so transcendently high as compared with other household food necessities, as to place milk in a class by itself in this regard. For these and other reasons there has never been any general complaint from consumers that milk prices were too high, even a few years ago when the price of bottled milk was forty and fifty per cent higher than it is to-day. Consumption of milk was as large, if not larger, when prices were high than it is to-day with values the lowest for some time back. Moreover, the average consumer and commercial interests generally realize more to-day than ever before, that the farmer, whether his saleable products be milk or something else, must secure a fair return, if business is to survive and emerge

from the stagnation which characterizes it at present. The largest buyer in Canada of staple and manufactured commodities is the farmer. Increase his buying power, by producing conditions that will insure a greater return for what he has to sell and the general business of the country will benefit immensely.

In making a survey of the consuming public which are supplied by Ontario producers, we find in cities and towns over 6,000 people, we have a total population of 1,800,000. If we were to take in urban centres in Ontario, it would not be far from 2,000,000 people.

2. *Names of Associations and Number of Farmers Affiliated with the Association*

The following are the cities which have affiliated with the Ontario Association:—

Association	No. of farmers
1. Toronto.. .. .. f..	3,700
2. Oshawa..	100
3. St. Catharines..	125
4. Guelph..	115
5. Stratford..	60
6. London..	260
7. Hamilton..	770
8. Niagara Falls..	120
9. Peterborough..	120
10. Brantford..	115
11. Woodstock..	35
12. Welland..	60
13. Ottawa..	450
14. Kingston..	90
15. St. Thomas..	75
16. Lindsay..	30
	6,225

There are larger centres which when affiliated will bring the total up to practically 8,000 farmers.

3. *Prices in Principal Markets in March*

	Price per 100 for 3.4 milk	Delivered to homes Quarts	Delivered to homes Pints	Relief Quarts	Relief Pints
Guelph..	1.50	10	5	10	5
Barrie..	1.60	10	6	10	6
St. Catharines..	1.60	10	6	8½	5
Toronto..	1.45	10	6	9	5.4
Hamilton..	1.45	10	6	8	4
Relief and wholesale..	1.20				
Waterloo and Kitchener..	1.45	9	5	9	5
Oshawa..	1.45	10	6	9	5
Welland..	1.45	9	5½	7	4
Niagara Falls..	1.45	10	6	9	5.4
Ottawa—					
At farm..	1.40	10	6		
Wholesale..	1.20				
Peterborough	1.20	9	5	7	
Woodstock..	1.15	8	5	7	4
Brantford..	1.10	8	4	8	4
Aurora and Newmarket	1.05	10	6		
London..	1.00	7	4	6½	4

4. The Importance of the Dairy Industry

Milk is the most important farm product in Ontario, having a valuation of $62,000,000, not taking into account the milk consumed and utilized on farms. The great bulk of this milk goes into the manufacturing of cheese, butter, condensery and milk powder products. The amount of milk used for fluid purposes in Ontario is 20 per cent. Upon the price which these manufactured dairy products sell for depends in a large measure the price obtainable for milk for human consumption. Any development in world trade or something else that will enhance the value of manufactured dairy products, will bring about a corresponding increase in the value of fluid milk. Our main exportable product in the dairy field is cheese.

5. The effect of other than Regular Shippers seeking a place in the City Market

Because of the very low price the past year or two for manufactured dairy products, there has been a flood of milk seeking an outlet in the city and town milk trade. The nominally higher prices in the fluid milk market have been the inducement. Taking into account present prices for fluid milk, cost of delivery to distributors' plants, frequent "holdbacks" and the extra expense the producer is up against in complying with health regulations and the like, the net return to the producer is very little, if any, above what has been obtainable for milk for manufacturing purposes. There are no "holdbacks" in the manufacturing end of dairying.

6. Milk Production for City Consumption—a Specialist's job

Producing milk for direct human consumption is a specialist's job. Regularity in quantity and quality of supply must be observed. The daily quota must be forwarded every day of the week independent of weather conditions. Up to date sanitary equipment for producing and handling milk is essential. The milk must go forward at the same low temperature daily. It must be wholesome, clean and sweet. The cows producing such milk must be clean and healthy also. Any deviation from regularity in quantity and quality may cost the producer his market.

It costs more to produce milk for the city and town milk trade than for any other market. The dairy herd must be maintained at a regular production level. Cows must be obtainable by purchase or otherwise to fill up vacancies in the herd on short notice. Cows must be fed winter and summer to maintain production at an even keel. Feed must be purchased, if needed, independent of cost. Cost of production depends largely upon the producing capacity of the individual cows in the herd. Even a superior dairy herd cannot make milk production for city consumption pay at the present prices. The cost of production, which has been estimated by a number of producers in our district, show that producers are losing money on every pound of milk sold at the present time. the cost of production worked out by a number of farmers showed that the cost was from $1.75 to $2.40 per hundred.

I am filing one statement from one of our farmers in regard to production on 100 acres of land showing the cost of production.

By Mr. Pickel:

Q. Is that the cost of production?—A. Yes, of $2.35.

Producing 500 pounds milk per day.

Take 25 head cows, bull and heifers.

16 pounds chop—350 pounds chop per day..	$ 3 50
30 pounds ensilage—700 pounds ensilage at $3.50 ton..	1 25
16 pounds hay—700 pounds hay at $6 a ton..	2 10
150 pounds straw bedding at $4..	30
Two men—full time..	2 00
Board of men..	1 60
Use of barn, cans, milk pails, forks, wells, salt, electricity, pumping water for cows and cooling milk, lighting barn, insurance, telephone, veterinary, gasoline and travelling expenses, etc..	1 00
	$11 75
Cost of producing 100 pounds..	$ 2 35

Q. Those figures represent the producers' end of it; that is delivery at the plant?—A. Yes, delivery at the plant.

Q. That is transportation and everything?—A. Yes.

7. *The Attitude of the Producers' Association in Reference to Parteurization*

Maintaining the fluid milk trade and enlarging that market depends upon guaranteeing a safe and wholesome milk supply. There is only one absolutely sure way of guaranteeing this—proper pasteurization. Halfway measures, such as freedom from tuberculosis in cows, very good as far as they go, are advocated as filling the bill. An absolutely safe milk for human consumption cannot be guaranteed by any halfway measures. Proper pasteurization is the only known and sure method. The surety of this method has been so long established and proven that it is surprising to learn of its efficiency being questioned. The City of Toronto supplies a striking example of what has been accomplished by proper pasteurization of milk. Since compulsory pasteurization of milk sold for human consumption was adopted nearly twenty years ago, there has not been an outbreak of contagious diseases traceable to the milk supply. All milk sold in the city must be pasteurized, excepting guaranteed certified milk. Moreover, Toronto's efficient Health Department maintains a close check-up on pasteurizing methods in dairies. Facilities for pasteurizing milk are so perfected that temperatures can be kept under perfect control and inspectors, by means of thermostats to which they only have access can check up with exactness. In Ontario any municipality can adopt a by-law making compulsory the pasteurization of milk for human consumption within its borders. All the leading dairies, where there is no such by-law in force, pasteurize milk for the benefit of their customers and to extend trade. So far as our information goes all such dairies properly pasteurize milk and thus guarantee its safety from a health standpoint. There have been cases, however, where no compulsory by-law is in force and no proper inspection, where infectious disease has spread through drinking so-called pasteurized milk. This has brought pasteurization into disrepute to some extent, when the fault lay in improper pasteurization methods and no check-up. Proper pasteurization prevents the spread of contagious diseases through milk—bovine tuberculosis, typhoid fever, scarlet fever, undulent fever, septic sore throat and the like. Raw milk under certain conditions is one of the best mediums known for propagating disease germs of all

kinds. Hence the need for sanitary stables, healthy cows, proper cooling and handling and on top of this, proper pasteurization to insure its safety for direct human consumption.

It may be asked why a producers' organization is so strongly behind the pasteurization of milk for human consumption. The reasons are obvious as we see them. A safe milk means a surer and larger market for the producer's product. Where compulsory pasteurization is in force, the regular milk shipper has a more reliable market and a better price. Moreover, dairies which pasteurize milk, where no compulsory pasteurization by-law is in force, co-operate with local producers' organization in maintaining agreed upon prices and stabilizing the market for milk. To such an extent is this true that dairy farmers producing milk for the city and town trade would greatly benefit and have a more reliable market, if legislation were enacted making is compulsory that all milk sold in Ontario, particularly in cities, for human consumption must be pasteurized.

The Ontario Milk Producers' Association, as an organization, favors pasteurization for cities, because in cities where there are pasteurization by-laws the farmers throughout those districts are getting an increased price for milk and also the producers are satisfied with the product as safer for human consumption and thus more milk will be sold. The following is a survey of the cities throughout Ontario comparing those having pasteurization and a number of those where there is no pasteurization by-law:

Average prices in 1932 for 3·4 milk

Pasteurization by-law in force		Not in force	
Toronto	$1 45	Ottawa	$1 24
Oshawa	1 45	Peterboro	1 20
St. Catharines	1 60	Stratford	1 15
Hamilton	1 45	London	1 15
		Kingston	1 20
Average price	$1 48	Average price	$1 18

8. *The Effect of Sanitary Inspection*

In most of the larger centres of population efficient Boards of Health are maintained and medical health officers are active in safeguarding the milk supply. In many of the smaller centres, however, health regulations are in name only, and about the only requisite required in securing a licence to sell milk is payment of the annual fee. No check-up is made as to sanitary conditions on farms and in the dairies also, thus making it an easy matter to sell milk retail either on the part of individual producers or anyone wishing to get into the milk distributing business, all of which makes it difficult to maintain prices and give the regular milk shipper a fair return. The retail milk trade and health conditions generally would greatly benefit, if the Provincial Health Department had direct supervision over the public health regulations in smaller centres and some of the larger ones as well.

Mr. Hay: How is the health of the people in that city? Are there any outbursts of disease?

The Witness: I could not make any statement for that.

I might say we have one city in Ontario with over 100,000 population which has no civic inspection whatever.

9. *The Effect of Pedlars on the Dairy Industry*

Maintaining a satisfactory price for fluid milk is greatly hampered by individual producer distributors and especially is this true where health regulations are somewhat lax. "Milk pedlars," the term these are chiefly known by, in order to sell milk have to cut prices below the agreed upon rate to consumers. There the cut in price is only a cent or two below that for pasteurized milk, there is not much difficulty in meeting this competition as consumers are always willing to pay a little more for safe milk. In not a few cases, however, prices are cut below these figures, thus causing regular distributors to reduce prices to meet the competition, which reduction is handed back to their regular shippers who have to accept a lower price for milk. While the percentage of pedlars is small, as compared with the large number of regular shippers to dairies, their number is sufficiently large in many centres to have a direct influence on the price of milk to shipper producers. Taking into consideration the cost of maintaining equipment for delivering milk and complying with health regulations, if there are any in force, farmer distributors would be as well, if not better off, shipping milk to regular distributors who make it their business to deliver a safe and wholesome milk supply to consumers. And it is perhaps needless to say that consumers would benefit by securing a safe supply.

Might I add to that that in the cities where there is no pasteurization the number of individual milk distributors is the largest and that assists in lowering that price owing to pasteurization.

Mr. Loucks: Are there accredited herds around this place?

The Witness: In some cases they are supposed to be accredited; if the health regulations are not up to standard they may not be.

Cut-rate dairies have always been a preventive in maintaining a satisfactory market for milk, and of late years these have increased in number and have become one of the primary causes of "milk wars" in many centres, disorganizing the business and causing an all round decrease in milk values to regular shippers. If these cut-rate dairies paid the agreed upon price for milk to producers, the situation would not be so serious, though any extensive cutting of prices to the consumer eventually brings about reduced prices for milk to producers. In too many instances, however, these cut-rate dairies go out after milk wherever they can get it and at the cheapest price they can buy it for. Their source of supply is among farmers who are not regular shippers, but who are seemingly eager to get a foothold in the city and town milk trade. In this and in other ways cut-rate dairies and suppliers of "bootleg" milk prevent a satisfactory price being obtained for the regular milk supply.

10. *The Place of Chain Stores in the Milk Industry*

The chain stores organization and its desire at times to feature milk and other farm products to increase sales and bring customers to their stores has become a serious problem. Not all chain store concerns are in this class.

I might say that we have one city in which that is a serious proposition at the present moment and may develop and cause a reduction in the price

In Ontario nothing of a very serious nature has developed in this connection, though reports of threatened price cutting by chain stores have been frequent. So far such have been headed off, largely by pro-

ducers laying their case before the directing heads of these concerns and pointing out that any cut in price on their part would ultimately react against producers and bring about a lower price for milk. Such appeals on the part of producers have had the desired effect when made, though one cannot feel absolutely sure as to the future in this regard. It seems to us, however, to be very poor business for chain stores, with branches all over the country, and dependent upon the farmer for a large share of their trade, to feature cheap milk and other farm products in their selling end and then expect to retain the farmer as a buyer of what they have to sell. What is needed to-day in order that general business may recover or improve is some way of increasing the price for what the farmer has to sell, not lowering it.

11. *Dairies not Paying Producers.*

While the great majority of distributors, large and small, are reliable and trustworthy in paying the producer regularly for milk supply, there are a few delinquents who are causing no little hardship in this regard. Some fall by the wayside and are not able to meet payments. Others seemingly deliberately plan to keep the producer out of his hard earned cash by some subterfuge or other, such as having their business in some other person's name. In such cases, when brought into Court and judgment secured against them, it cannot be enforced. Still they carry on. If one set of shippers quit, they go out after and secure others, thus obtaining a cheap milk supply, and usually undercut the dairies who are paying the farmer's price. There should be some way, legislative or otherwise, of bringing these delinquents to time and making them pay for their raw material or quit operating. It is our hope in time to so control supply as to take care of non-paying dairies by bonding.

This is one of the most serious things we have to contend with in Toronto. We had one farmer come in the other day and state that he was $400 behind in his milk cheque and asked us to help him, and it was a very serious thing, and almost impossible because you have to back the man going to court. The dairy was not bonded in any way at all.

12. *Transportation a factor in milk costs.*

All price arrangement is for milk delivered to the distributor's plant, which means that the producer has to pay trucking or hauling costs. The great bulk of the milk is now delivered by truck. Until recently, while many truck owners have played the game fairly and squarely with producers, those making a specialty of this business have been a law unto themselves so to speak.

We have two dairies in the city of Toronto who do not know who their shippers are because they are truckers, and the trucker has become an agent in buying and selling milk rather than producers and producers' organizations. This is a very serious situation and affects the general price level.

With some, the producers' interests are of secondary importance though they have to pay for the service. Certain truck owners are largely to blame for cut-rate dairies and the like being able to continue in business. Some secure milk wherever then can get it and sell it to dairies at a reduced price. Our Association is endeavouring to bring about an ordered trucking system for transporting milk and to obtain, at least, some control of milk trucking by those who pay for the service. Things are shaping up very well in this regard and we hope to work out a general plan from which producers and legitimate truckers will both benefit.

I might say that during this last month we have been able to establish with the Ontario Department of Highways that no P.C.V licences will be issued without the certification of the Producers' Association in co-operation with the Distributors Organization. When this is carried out it will assist greatly in getting rid of some of our bootleg truckers.

13. *Place of Relief Milk in the Industry.*

Continued unemployment in cities and towns has created a serious problem for producers' organizations, that of relief milk. The main problem in taking care of this situation is to maintain prices for producers which are as low now as they well can be and enable the producer to carry on. Were the amount of milk required for relief purposes not of large proportions, this matter could easily be disposed of. The needed supply is, however, large and seemingly growing. Relief Committees in the various municipalities with inadequate funds are out after cheaper milk for this purpose. Certain dairies make a business of supplying relief milk and cut prices to get the trade, which means lower values to producers.

I may say that has been one of our great fights in central Ontario in regard to maintaining that price because of the dairies offering to give a price on the relief milk at a lower price.

To meet this competition, regular dairies, not desiring to lose any of their old customers, who may now be on relief, try to meet this competition, all of which reacts against the regular shipper. So far in the Toronto area and in other centres also, by conferring with Municipal officers and heads of relief committees satisfactory arrangements have been made that will maintain prices to producers. In any case, this problem of relief milk is a very serious one to cope with and it is hoped that it will ease up a little before very long. Taxes which producers have to pay are so high to-day that they should not be called upon to supplement them by a decreased price for milk for municipal relief purposes.

I might say that in central Ontario that is the general dissatisfaction among our farmers, that they are accepting a cut in their price because relief prices are lower than the general rate of other milk prices.

14. *Surplus Milk*

Surplus milk is the big question facing producers and producers' organizations. If surplus milk could be kept off the market or taken care of in such a way as not to interfere with the regular trade of producing and selling milk for direct human consumption, the city and town milk trade would be on easy street so to speak. Surplus milk is responsible for price cutting, cut-rate dairies and so on. While it is paid for at butterfat prices and supposedly does not find its way in the regular bottled milk trade, one has no real guarantee in this regard. Until such time as our Association has perfected its plans for taking care of surplus and which we hope will be in the not too distant future, surplus milk will be one of the serious drawbacks in maintaining a stabilized market for milk. It has many angles, which cannot be enumerated in a report of this nature.

15. *Recommendations for the Stabilization of the Industry*

In the marketing of fluid milk, control of supply is of first importance. A stabilized market will benefit the regular shippers, which cannot be obtained without a controlled supply.

One of the essential functions of milk producers' associations is control of supply. By such association control, distributors are guaranteed adequate supply at prevailing prices and producers are assured a steady market for their product. In this way, the producer is safeguarded.

In summing up the situation for Ontario, we wish as a producers' organization, to emphasize the following which, if realized, would be of great value in stabilizing the market:—

(*a*) Producers' association, in order to stabilize the market, must have control of the milk of all producers in any market; this control can be secured by adopting the following suggestions:—

1. The producers' association in each market must have a signed membership, including a contract with the members to the association for the sale of their milk.

I am going to file a copy of the contract which we have taken up with the London Organization, and I might say we are starting with the contract in our lowest market in the hope of bringing that price back to the level as soon as possible.

By Mr. Pickel:

Q. Are these contracts in use to-day?—A. No. We expected when we started last fall in the organization to be able to put over a program in regard to contracts this spring, but that has been postponed until of late; but we have established two points where we have contracts—one in London and one in Brantford—that is, contracts of the Producers' Organization with their members, not as to the amount of milk. I will mention that afterwards.

2. An agreement with the distributors that they will buy milk only from members of the producers' association.
3. An agreement with civic authorities that no one is given a permit to ship milk in a market who refuses to become a member in good standing of the producers' organization.
4. A producers' organization in co-operation with the distributors should have control of the transportation until the milk reaches the plants; to do this the haulage of milk from farms should be controlled by a joint committee of representatives of the producers' association, distributors and transport owners. No transport owners should be allowed to bring milk into a city unless they are under the control of the joint committee.

Our civic authorities have realized the value of adopting a system such as I have outlined in this recommendation. One of our members going to the Toronto Board of Health stated after he had interviewed the man in charge—stated if the dairy asked them to inspect a farm at North Bay they would h...ons. to inspect it. They make no requirement as to distance, and that is prac a rule in all our cities in Ontario. We have no zoning system in Ontario.

(*b*) The distributor should enter into an agreement with the pr ducers' association for a contracted amount of milk from eac individual member shipping to each distributor.

1. All milk sold for street sales shall be paid for at an agreed on price between the association and the distributors organization.
2. Milk which is used by distributors for a secondary market shall be paid for at an agreed upon price.

3. Milk which is used by distributors for the butter trade trade shall receive a price according to the value of butterfat.
4. Milk forwarded to the plant above the contracted amount shall be paid for at secondary or surplus prices unless distributor requires the extra amount for street trade. The producer shall be allowed to keep his surplus milk at home but not to send it to another distributor.

This is one of our serious troubles in our central dairy—of the surplus milk being taken—when it is shipped off from one dairy and sent in to another dairy.

(c) The producers' association shall have the right to make an audit of all distributors' record of sales and purchases. This would give a proper check-up on the use of milk after it reaches the plant.

I might say we have taken this point up with one of the large cities with the local Chamber of Commerce, and they are quite interested in this. They realize that the buying power of the farmers in their own districts must be maintained, and they realize that this should be monthly if possible. I am going to file a monthly statement which we are asking to be supplied at the present time, just in regard to sales. I have another one here which we will ask our dairies to comply with in regard to their sales.

By Mr. Pickel:

Q. These regulations are simply prospective regulations; they are not in force now?—A. No; because the organization has only been developed in the last six months. I might say when we started last fall many of these things which we are submitting now would not be considered by the dairies in any way, but to-day they are.

(d) Civic authorities should encourage a zoning system from which milk can be brought in to local market. This would greatly assist in giving producers Association a much better chance of maintaining prices in accord with the cost of production. Zoning of cities at the present time to have consideration of the present shippers in each market.

(e) Every distributor buying and selling milk should be required to supply an adequate bond to safeguard producers and thus ensure that all milk will be paid for monthly.

Q. Have you free access to the distributors' books? I was rather impressed with the fact that the distributor might object?—A. I might say that during these last six months that co-operation is being extended, and the dairies are willing to co-operate in that way.

By Mr. Tummon:

Q. I think if you will look it up, the same thing was referred to by Mr. [illegible]attan the other day. He seemed to be quite agreeable?—A. Yes. There are some of these points we have brought in here that we have asked the dairies for and they refused, but now I think they have acceded to them.

(f) Complete study of the principal markets should be undertaken immediately. This study should include all distributing agencies, transport system, civic inspection and producers' conditions. On the result of this study, legislation should be giving the industry greater stability.

If it were possible for the above suggestions to be carried out, with the proper support of producers and legislation to make the recommendations effective, the producer would have better control of his market. This control would assist in lowering the cost of distribution and would eventually reduce the spread between the farmer's and consumer's price. The executive members in studying the milk markets in other centres have found that, where the above control methods were used, there was a resultant increased price to the producer and in many cases there was little or no great increase in the cost of milk to the consumer.

Conclusion

No set of conditions can absolutely secure for the producer an adequate return, while world prices for cheese (Canada's largest exportable dairy product) are so much below the cost of production. No matter how high the walls to protect fluid milk shippers, milk from other sections will be brought in by bootleggers, hence some relationship between whole milk price and world market prices is necessary.

When the above objectives are attained, many of our biggest problems to-day will be solved. Control of milk supply will eliminate unfair chain store competition, cut-rate dairies, "bootleg" milk, non-paying dairies and the like by bonding the dairies. This does not mean a combine or anything of that nature that will boost prices to the producer beyond what general dairy conditions and the law of supply and demand will warrant. It only means conserving the market for the regular milk shipper, whose business it is to produce a clean, sanitary and wholesome milk supply for human consumption. The health of our people is of prime importance. It is our sincere desire, therefore, to so improve and built up the fluid milk trade that every consumer in Ontario will have a safe, health-giving milk supply.

There is one chart which I would like to show here. This is a chart which we use with our producers in our educational work in the locals, and we try to spend considerable time on this chart right here.

FACTORS which affect the price of milk

1. The price of butterfat
2. The price of cheese
3. The amount of milk available for a market
4. Pasteurization
5. Health regulations
6. Zoning of milk supply
7. Transportation facilities
8. The type of country surrounding the market
9. The percentage of farmers who sell below the association price.

By the Chairman:

Q. Your suggestions, I take it, Mr. Marritt, all hinge on the zoning of territory from which you get your supply, does it not?—A. No, I don't say they all hinge on that. I think the most important point is the question of a signed membership with a contract with the members for the sale of their milk by the association.

Q. You say that the fluid milk market only consumes 20 per cent of the available milk.—A. Yes.

Q. How are you going to control the supply? Zoning is one way perhaps, but even though all zone, how are you going to control the available supply?—

A. That brings out the question in regard to contracts with your members, each member should be given a contracted amount to supply, and it also states that that milk above the contract should not be allowed to go to other distributors.

Q. I know, but would there not be more contracts available than would fill a supply in a given territory?—A. You mean that there might be more farmers who would want to sell milk?

Q. Yes, more than you can accommodate; what are you going to do then? I think it is pretty nearly a settled fact there would be more milk available than you could take care of in the fluid market.—A. Yes, there is no question about that.

Q. Then it resolves itself back into the old question of bargaining with the distributor?—A. Absolutely, consideration of all the different factors which affects the price of milk.

Q. Well, what is the basis upon which you bargain with the distributors to-day,—cost of production?—A. That is taken into consideration, and also the price of milk for manufacturing purposes.

By Mr. Tummon:

Q. After all is said and done, is not that the foundation upon which the fluid milk price is settled on?—A. Absolutely.

The CHAIRMAN: Do you mean to say, Mr. Tummon then, there is not much use of trying to bolster up the price of fluid milk?

Mr. TUMMON: I have always understood that the distributor, long before there was any producer organization as such, built up the prices to be paid producers of milk from a basis of the price of milk for the manufacture of cheese and butter. If the price of cheese was such as to pay the shipper to the cheese factory 75 cents for 100 pounds, the distributor added so much for transportation and what little extra there might be for holdbacks, for the extra cost of collection and proceessing that class of milk, and they paid that. If the price of manufactured milk dropped on the market, or the price of cheese dropped, they took advantage of it.

By the Chairman:

Q. Does consideration of the spread enter into your deliberations with the distributors Mr. Marritt?—A. It is certainly brought out by the producers many times, and in talking to the producers they bring that point out at price conferences.

By Mr. Tummon:

Q. Mr. Marritt, get it down to a basis of the whole thing—all the milk industry in Canada—is not the exportable surplus the important thing?—A. I would say so, yes.

Q. The exportable surplus is the most important thing in the situation.—A. You mean as cheese?

Q. As cheese or butter.—A. Absolutely, you must consider them. If there is a price change in butterfat—a rapid change—the producers' organization should carry the price level over that until the price of butterfat comes back.

Q. Do you carry it over?—A. We—there is your organization—for instance, the price went down very rapidly for one month. There is nothing—no reason why the producer organization should recede to that point at all.

Q. Then would you say on the other hand if it went up fairly rapidly for a month it should do the same thing?—A. Well, it is up to the producers' organization to take all the advantage of that if they can.

By Mr. Pickel:

Q. Well, they don't have much power to take advantage of it, do they?—A. No, but the organization is there. We have in several of our markets, as I stated, in regard to private markets, probably one-ninth of the milk which is brought in at lower than the association prices.

Q. I have one of your papers here, the Ontario Milk Producer for April.—A. Yes.

Q. In which is an article "What should a cow produce to get by?" and it has come to the conclusion 12,000 pounds.—A. Where is that?

Q. On page 127.—A. Yes.

Q. Don't you think that is a pretty high average to set for a dairy?—A. Absolutely.

Q. Do you know of any dairy of that kind?—A. You mean af a farm dairy?

The CHAIRMAN: You mean, of a herd.

By Mr. Pickel:

Q. Are there not more under 5,000 than over?—A. The average production for the Hamilton area, which I knew, would be about 7,500 pounds.

Q. A very good average too.—A. Yes. And we had in the cow-testing association, over 8,000; we had 1,300 cows but that would be better than average, and I might estimate that at between 7,000 and 7,500 pounds.

Q. I notice here in your February " Ontario Milk Producer " a little article, a message to the milk shippers on page one, in which you refer to "a reliable market, a steady price even if it is below the cost of production is something well worth while—all producers share alike in these benefits and should pay their share." What explanation do you give of that, Mr. Marritt?—A. First is "an even price," is it?

Q. It says "reliable price—a steady price even if it is below the cost of production is something well worth while." Have you any estimate as to the cost of production of milk?—A. I filed a cost of production statement of one average producer, and it showed $2.35.

Q. $2.35, what does that include; can you give us the details, Mr. Marritt; does it include interest on investment?

Mr. TUMMON: That is in the statement, isn't it?

The CHAIRMAN: No, it is not in the statement, it is filed separately.

Mr. PICKEL: Does it include interest on investment, overhead, taxes and everything of that kind?

Mr. TUMMON: And depreciation?

The CHAIRMAN: Perhaps it would be wise to read that.

By Mr. Pickel:

Q. Or, is that just feed and labour?—A. It was turned in by Mr. W. F Shaver of Ancaster. I thought it was quite satisfactory—those are his figu the but it doesn't look as though I could explain them.

Q. It doesn't give the details?—A. He just gives the cost of producing one hundred pounds of milk as $2.35.

Q. That appears a little bit high on what we have had; we had $1.50—of course that didn't include interest on investment, overhead and things of that kind, but simply feed and labour; I thought possibly this might have included that.—A. I think so.

Q. Hoy long do you think the farmer can stay on this basis of producing milk at $2.35 and selling it for $1.50?—A. Not very long, if he has to pay interest on his investment.

The CHAIRMAN: Are there any further questions; we have two or three other gentlemen here, if you are satisfied.

By Mr. Bertrand:

Q. Would the witness explain this last cost item which interests me greatly —was it your association who wrote that it was well while for the producer to sell below cost if the price was steady; I would like to have an explanation of that?—A. I didn't get you.

Q. Our findings will have to be based on what we have here and if it is based on what—

Mr. PICKEL: That does not imbue us with a great lot of faith.

By Mr. Bertrand:

Q. Would you explain that to the committee please?—A. Put your question again.

By Mr. Pickel:

Q. "A reliable market, a steady price, even if it is below the cost of production is something well worth while"?—A. I would say, speaking from the association standpoint that an even price at $1.45 is something to be maintained when we have a group of farmers, a percentage of a lower price of $1.20, an even price over the association is what we aim to pay.

Q. Oh, you were speaking about a live association, not the individual farmer who is back on the range?—A. Well, we consider the individual farmer, there is no question about that; but, Mr. Pickel, the price of $1.45 on one of those markets is double what it is for cheese in the same radius; so, as the association of whole milk producers' that is something worth while.

Q. That would be about $1.15 or $1.20, I suppose?—A. It would average $1.20.

Q. Yes. Would you think, Mr. Marritt, that it would be possible for anything to be done from the distributor's end of it to lower the cost; don't you think the municipalities are demanding too much?—A. Yes, I think that the distribution of milk is one of the most serious problems, not only to the distributors but to the whole industry, and it should be considered thoroughly. That is were the loss is, in the distribution, the increase in the number of wagons in each city—when times are bad it is greater than when times are good.

By Mr. Loucks:

Q. Mr. Marritt, do you know of any company—I am talking of solid companies, not these mushroom companies that spring up in the night and beat the farmers out of a lot of milk—I mean one of the big companies; do you know of any of them losing money?—A. No.

By Mr. Pickel:

Q. Do you know of any of them asking for relief to-day?—A. No, sir.

Q. Well, that is what we want to find out; and I rather think, Mr. Chairman, that this is a fact finding body, and we would like to ascertain what that spread is; if it is actually necessary that they should get as much spread as they are getting.

By Mr. Loucks:

Q. You don't think, in other words Mr. Marritt, that it would be possible for co-operation between distributor and producer which would eliminate a lot of the overhead, but rather that there should be legislation to bring that about?—A. I think there should be both.

By Mr. Pickel:

Q. Mr. Marritt, if the farmer were guaranteed a percentage of the price, say fifty per cent, of the distribution of milk—that is, of the sale price—do you not think that it would eliminate the bootlegger?—A. If it was guaranteed fifty per cent.

Q. Fifty per cent; that is what he is claiming?—A. That would certainly be something of an ideal to aim at; and I think, from the producers' standpoint they would be satisfied with fifty per cent.

Q. It would take a long range gun to get there. If you just get my idea, Mr. Marritt; we have presumed that milk is selling at 10 cents a quart in the city?—A. Yes.

Q. If they wanted to have a milk war, and the price goes down to 4 or 5 cents, if the farmer would stick and insist on getting his fifty per cent, he would be getting more than he is now; do you think they would have any of these milk wars. If they could make some arrangement so they would not have a lot of surplus milk, and if they established the quota at 55, or 45 or 40 per cent on wholesale, and still maintain a percentage of the price, I think it would make things move on the farm.

The CHAIRMAN: I don't want to shorten up the discussion; have you an answer there?

The WITNESS: I think not only in considering that point, you have to consider what Mr. Tummon brought out, the amount of exportable dairy products there is in the country and the relation of it to the sale of milk.

By Mr. Pickel:

Q. Mr. Marritt, we have always had an exportable surplus?—A. Yes.

Q. In 1904 we sent 250,000,000 pounds of cheese to the old country?—A. In nineteen what?

Q. In 1904, and last year we only sent 74,000,000. Where is the surplus? It is going down; it is dropping.—A. Yes.

Q. And the sale price of our milk is going lower?—A. That extra amount of cheese milk that is on the market affects us because it is coming into our own Toronto market.

Q. I don't doubt that one bit, but I think that is an exaggeration; I think if there were a percentage basis fixed for the price of milk, that the cheese situation would not have much to do with it; the distributors would try to regulate their business, try to regulate the purchases so that the farmer would get a more just distributional price.

The CHAIRMAN: Now, gentlemen, we have three other witnesses here that I think we should try to hear.

Mr. TUMMON: Just a minute, Mr. Chairman.

The CHAIRMAN: All right, Mr. Tummon.

By Mr. Tummon:

Q. You have had some experience sitting in, representing the producers, along with the committee from the distributors, in arriving at the price, have you not?—A. Yes.

Q. Let me ask you, from your experience, this question: supposing the price of milk for cheese or for butter was netting the producer approximately one dollar per hundred pounds?—A. Yes.

Q. What, in your opinion, is a fair price based on that dollar, that the producers of fluid milk to the city should receive?—A. 25 cents above that for transportation; and 15 cents for the skim milk, 15 cents for sanitary inspection, and 15 cents for regular supply.

By the Chairman:

Q. 70 cents?—A. 70 cents. That would be $1.70.

By Mr. Tummon:

Q. That is practically the basis upon which prices are settled now?—A. Yes, I would say so; if the price of butterfat was above a dollar at the present time, the association would certainly demand back to $1.85, or any price that we could demand.

Q. So that not only the distributors but even your producers association supplying fluid milk into the city, really start with cheese and butterfat as a foundation figure?—A. Yes.

By Mr. Pickel:

Q. You don't take into consideration at all, Mr. Marritt, the fact that the distributors are making millions out of the farmers, unjustly?—A. Yes, we do.

Q. You don't take that into consideration at all?—A. Yes.

Q. Why should they not be penalized a little bit and be obliged to disgorge some?

Mr. TUMMON: Well, Mr. Chairman, it is my firm conviction that you cannot isolate one group of producers in the dairy industry without the other side being affected.

The WITNESS: That is exactly right. The price of whole milk must be based on the consideration of every pound of milk in the province.

By the Chairman:

Q. In the dominion?—A. Yes, in the dominion.

By Mr. Tummon:

Q. Let me ask you another question, Mr. Marritt: You are troubled, no doubt, in all these cities—Toronto and other places—by small dealers?—A. Yes.

Q. Is it not a fact that the profits in the distribution of milk is such an amount that it encourages the small fellow to get into it?—A. Yes.

The CHAIRMAN: Any further questions? Mr. Marritt will be here, and if you wish to recall him, it will be perfectly all right. Now, we will have Mr. Hughes, president of the London Producers Association.

J. A. HUGHES, called and sworn.

By the Chairman:

Q. Mr. Hughes, give your name to the committee and your occupation and position, please?—A. J. A. Hughes, president of the London District Milk Producers Association, Post Office No. 3, Ilderton, Ontario.

Q. And you are president of the London producers association?—A. Yes.

Q. Will you speak out please?—A. Yes.

Mr. Chairman and gentlemen, the situation in London:—

> Milk required for the London market must be pasteurized or from accredited herds. As there is only one inspector for all the herds in the area of the City of London and he has other duties to perform, it is stated on good authority that the regulation in regard to accredited milk does not mean anything and there is considerable whole milk coming into the market which is not accredited.

Milk during the summer has been selling at nine cents—that is, last summer, up from the first of May to the end of November, but the pasteurizers and individual farmer distributors, reduced the price to seven cents beginning the first of December.

When milk was being sold at 9 cents per quart the farmers were receiving $1.30 per hundred. With a reduction to 7 cents the farmers were offered $1 per hundred. The dairies are being paid for relief milk at 6½ cents.

Individual Distributors

There is a licence fee of $1 for distributing milk in the City of London. Any person who wishes to distribute milk is rquired to pay a licence fee of $1. There are many estimates as to the number of individual distributors in London, anywhere from forty to eighty. Both distributors and farmers agree that this number is increasing every week. There are probably ten individual farmer distributors, who are playing fair and have not cut prices. These farmers have routes varying from 150 to 200 quarts. They are fairly well satisfied. They would like to get more for their milk, but there seems to be a sort of antagonism on their part towards the pasteurizer men, and because of this, there is very little co-operation.

These farmer distributors who have 150 to 200 quarts per wagon are not the trouble. It is the increasingly large number of individual producer distributors who are breaking into the field, selling milk at 5 cents and 6 cents who are causing the trouble. These men vary from 30 to 75 quarts with an average of about 50 quarts per route. Some of the milk which they are using is bought very cheaply and all they are making out of the milk is the little extra which they receive for peddling. Probably the reason that the individual distributor is not in a mood to assist in raising the price at the present time is the fact that he is continuing to make the same amount for distributing milk as he made formerly. The only reduction which he is receiving is in his production, which is the smaller percentage of his total receipts.

Pasteurizing Distributors

There are nineteen pasteurizing distributors in the City of London. The majority of these have a good reputation. The managers are playing fairly with the farmers, paying them regularly at the end of the month—I might say semi-monthly. The managers of these dairies state that they would welcome an increase in price if this could be controlled and maintained. They are willing to work with the farmers to build up their organization. There are about four pasteurizing distributors who are most unscrupulous. Some are buying their milk very much lower than other firms and even at prices below factory prices and putting this milk on the street at cut-rate prices. There are some firms who are receiving the milk from farmers and selling it back to them for distribution.

By the Chairman:

Q. After it is pasteurized?—A. Yes. One man that you would call a bootlegger, he goes out and buys milk, or did last fall and the beginning of the winter at 70 cents a hundred, taking it to the pasteurizer and having it pasteurized, and buying it back from the pasteurizer at 4½ cents a quart, and retailing it.

By Mr. Pickel:

Q. For now much?—A. All the way from five to seven cents, anything he could get.

Q. And still the big distributors can't buy it for less?—A. Yes.

Q. And he is making money?—A. Yes. But of course he was only paying 70 cents a hundred for the milk.

Q. That is what most of the big distributors pay?—A. No. The regular big distributors in the city of London were paying a dollar per hundred.

Mr. LOUCKS: They take the surplus and do not average that at all.

The Witness:

There is one instance of one firm which is buying milk from individual distributors at $1 per hundred. The individual distributor is paying 70 cents for this milk and is thus making a profit of 30 cents per hundred on the milk and then is buying the milk back from the dairy at 4¼ cents per quart. Several of the unscrupulous firms are not paying their farmers for their milk. The number of farmers who are not receiving their money for their milk is increasing quite rapidily. Many believe that these firms will not be able to continue in business. In the meantime they are assisting to ruin the milk market in the City of London.

Solution

The Producers' Association is willing to co-operate with the individual distributors in controlling the price. The best method for immediate relief which the producers' association suggests is the adoption of an increased fee up to $100. The individual distributors oppose this idea as it would be an extra charge on them. By this method an individual distributor starting into the business, would be considerably crippled in the beginning as they would have to buy certain equipment and in addition would have to pay a reasonable fee in advance. The individual distributors are very strongly opposed to a pasteurization by-law as this would eliminate them from the business. As I stated before the good individual producer distributor is making fairly well, as he receives a good return from acting as a delivery man for his own milk. The idea of the fee seems to be out of the question, as it will be opposed by all individual distributors and probably would be hard to enforce.

The only course left the Producers' Association is to adopt a policy of enforced pasteurization for the City of London.

This would immediately eliminate the small retailer who goes to the country or comes in from the country with small amounts of milk. In order to accomplish this aim, it will be necessary for the organization to be put in a very strong position. With this idea in mind, the Association has agreed to adopt a satisfactory contract, secure the signature of all farmers shipping to pasteurizing plants in the City of London, build the organization financially and work educationally, with the idea of having a pasteurizing by-law adopted by the City Council. It is strongly suggested that the regulations in regard to pasteurizing be undertaken more fully by the Ontario Department of Health.

Now, there is in the city of London, I might say also, a very poor inspection. The by-law is there, but it is not enforced. Personally, or we as a producers' association, are not blaming the inspector. He is trying to do his work conscientiously. There are, to begin with, I might say, 236 shippers of milk to the pasteurizing plants. There are 33 producing distributors. There are anywhere from 50 to 100 bringing milk in for manufacturing purposes, which comes under city inspection. He has around 400 farmers, he told me the other day, to inspect. He has the dairies to inspect, slaughter houses and all of those other sanitary conditions to look after in the city. There are some farmers he never gets to in a year. He has been to my place once in three years. He came to one farmer just lately and things were in a very bad condition. Part of his cows had been clipped, and the rest had a lot of manure on them, and the stables very dirty. This farmer told him: "I am getting $1 for my milk; I cannot afford to buy a new pair of plates for the clipper to finish clipping those cows, so I just let them

go." And he went away. The man was conscientious, but the cows are still in that shape, and likely will be until they got out to grass.

He went to another place just here last week, and I got word of it, of a man who wanted to start to come to London with milk. He left a note—the man was not home—that the conditions were unsatisfactory to send milk to the city of London; that he would not sanction it. This morning that milk is starting to London. The dairy sent word that everything was all right for him to send that milk to London.

We have unrestricted competition in London that we cannot seem to get away from, or keep under control, and that is why milk, for one reason, is so cheap around the city of London. There are practically no restrictions regarding help. There is another by-law with regard to the producing distributors. They are required to have a steam boiler of some sort to make steam to sterilize their bottles, every morning, after they bring their bottles home from the milk route. Some of them are never heated up.

By Mr. Pickel:

Q. That milk is not sterilized?—A. No. Some of them are never heated up. I was in one man's place myself and he was washing bottles in a tub. He washed 150 bottles in the same tub of water, and rinsed them with cold water. These are the sanitary conditions that allow milk to come into London, that should not be going there at all.

By Mr. Bowen:

Q. Have you much sickness in London?—A. We do not appear to have any more than other places.

Mr. Pickel: They get used to it.

The Witness: Now, it is the feeling—there is nobody, any farmer or any distributor of milk, who wants to blame Dr. Gill. The same thing occurred when Dr. Tamblyn was there. Dr. Tamblyn was one of the best inspectors there was in the province of Ontario. He would come up and inspect your farm and say, you farmers are not getting enough for your milk to live up to those regulations.

By Mr. Pickel:

Q. Under those circumstances, what good is an inspection if it is not enforced?—A. Yes. The point is the Board of Health and the city council won't stand behind him. These bootleggers that you speak of, they are not producers, the fellows who buy milk and bring it into the sterilizing plants; they are not producers.—A. No, they are not producers. We that are supplying the pasteurizers of milk in the city of London, the producing distributor and brother farmer are the ones who are supplying 80 per cent of the milk to the city of London, of its whole milk delivered on the street, and they are supplying 20 per cent. Is it fair that they should wag the other fellow and hold us down to unreasonable prices. A year ago the 26th of April—well, it was a year ago the first of March,—milk dropped to $1 a hundred, and 7 cents a quart —no, 9 cents a quart, and they were going to pay $1.15, and then some of them started to cut in, and cut to 7 cents a quart—some of them went to 7, and another to 5, then they all went to 5; and it stayed from the 10th March until 26th April at 5 cents a quart, and we got 85 cents a hundred, we got from 85 cents to $1 a hundred. We went then and tried to get all the producing distributors and the pasteurizing distributors together, to see if they could not come up and maintain an equal price of 9 cents, and pay the farmer in the neighbourhood of $1.30. Of course, the producing distributor says the pas-

teurizing distributor is at fault, and the other says the other man is at fault. and they do not want to co-operate. The producers got them all together, and we got them all to sign an agreement to sell milk at 9 cents a quart, and pay the farmer $1.30.

By the Chairman:

Q. I suppose you would agree it is a good thing for the consumer?—A. Well, the consumer was satisfied to do it. They did not complain about the prices, nor has the consumer in the city of London yet, to a very great extent complained about the price the farmer is getting. He says the farmer is not getting any too much at $1.30 or $1.50; but they do think the pasteurizer is getting too much spread. Now, what I was coming at about this agreement is this: all but one of the pasteurizing distributors signed this agreement to sell milk at 9 cents and 5 cents, and pay $1.30 a hundred. All but one of the producing distributors signed. We got that and they said they would start out and do it.

By Mr. Pickel:

Q. Why did this one producer object?—A. Well, he said he got his route at 5 and 7 cents, and was not going to charge any more, you see.

By the Chairman:

Q. In selling milk at 5 cents, some of the companies have a larger spread than 5 cents. How about the fellow that is selling milk at 5 cents, is he making any money? Is the producer-distributor, who is selling milk at 5 cents making any money?—A. Well, he claims he is not. The best of them say that they are not making money at 7 cents.

Q. How are they doing it then?—A. There is the point.

By Mr. Tummon:

Q. It is the small producer who is distributing his own milk?—A. Yes.

Q. It is his own milk?—A. Yes.

Mr. Loucks: That is a different proposition.

By Mr. Pickel:

Q. He is getting all there is in it.—A. He lives within 5 miles of the city, on a paved road.

By Mr. Loucks:

Q. Do you think that the producer was satisfied that that was a fair spread between 9 cents a quart to the consumer, to the distributor, and he getting $1.25 a hundred for his milk?—A. Well, the farmer thought at that time that we should have $1.40 for our milk.

By Mr. Pickel:

Q. It cost him more than that.—A. It cost us more than that; I will admit that it cost us more than that, but then the point is this, that we got to go on a butterfat basis, plus the cost of whole mik that the city—we cannot get away from that butterfat or cheese market, and if we get too high above that, we will bring in more milk to the city.

By Mr. Loucks:

Q. What would happen if you formed a combine, if you producers would say, "Here now, this is below the cost of production—".—A. I was just coming to that before you asked the question. When we got this agreement

drawn up last April with the producers and the producing distributors some of the aldermen said, "Here, this is a combine; we will have you fellows pulled under the Combines Act." We said, "Hop to it; this is a free country; you go to it, and you will see whether it is a combine or not." And they found out before the year was over, it was not a combine. With the milk coming in, somebody started cutting prices, and it gradually dropped to 7 cents, so there was no combine.

By the Chairman:

Q. I suppose it would not be a combine unless it were 100 per cent watertight?—A. And there was a penalty for violating it.

By Mr. Tummon:

Q. Your troubles at London are pretty much a local affair?—A. You are right.

Q. And pretty much as a result of the city regulations not being strictly enforced?—A. Yes, that is so.

By Mr. Pickel:

Q. Do you not think sir, that if there was a percentage basis on which the distributor had to pay the farmer that he would see to it very quickly that adjustments and amendments were made to the city by-laws, which would put out a lot of those other fellows?—A. I just do not get you.

Q. In most cities, the health regulations are controlled pretty well by the milk distributors?—A. Yes.

Q. The health officials in the cities are doing everything they can to please the distributors. It is not the producers they are looking after. They are not helping them any. They never asked for it. These regulations were drawn up to help the distributor. If the distributor had to pay the percentage price, do you think he would be selling milk at 5 and 6 cents a quart, don't you think that the regulations of the City Board of Health would be such that a lot of those bootleggers would be put out?—A. If we could get the co-operation of the City Council and the Board of Health in working with the farmers, the producer, we might get somewhere. But the minute we start to do anything, they say we are going to raise the price to the consumer; and they look to where they get their votes in the next election and that is why.

The CHAIRMAN: Now gentlemen, we have Professor Reynolds here, and if you are through with questioning this witness, I shall call him.

Witness retired.

Dr. J. B. REYNOLDS, called and sworn.

The CHAIRMAN: I might say that Dr. Reynolds was a former president of the Ontario Agricultural College and I am sure he will be worth hearing. Will you give the committee your standing in the producers' association?

The WITNESS: I am the president of the Toronto Milk Producers' Association, and a director of the Ontario Milk Producers' Association. Mr. Marritt has covered what we of the two associations believe to be a correct statement of the situation, and a statement of our views. I shall not attempt to cover the same again, but to confine myself to the question of cost of producing milk, which appears to interest you more or less.

I have two statements as to the cost of producing milk, two ways of arriving at the figures; one through immediately present conditions on our own farm and the other covering the whole milk producing area. You have had, of course, some statements of milk costs varying considerably, and the variation results

from two methods of approach partly, and partly from the introduction or the omission of certain factors such as interest on capital invested and other things that may be put in, or may be left out, by the one who is doing the estimating. But with regard to the general cost of milk production, let me point out the significance—and not the cost of production, but rather the price of milk—in this chart. This chart has been prepared by Mr. Marritt for the use of our association in our meeting. The upper one with dotted lines, represents the variation in milk prices, that is, wholesale milk prices, or milk prices to the producer, from the year 1870 to the year 1930, in the New York area; and while we have not prepared similar figures for Ontario, we are quite satisfied that the costs are parallel. These are the variations in prices; that is, $1.40 from up and down as the time goes on. That is 90 and 95 up to $1.75, and along here is 1915, and then 1920 and 1925. It went up then out of sight, and now it is pretty near down out of sight.

By Mr. Pickel:

Q. That was the price to the producer?—A. That was the price to the producer for whole milk. This heavy line represents the milk equivalent of butter prices. That is to say, taking the price of butterfat and multiplying by the per cent of butterfat in your milk you get the milk equivalent at butter prices. What I want you to notice, and the significant thing is that these drop together and rise together. That is to say they run pretty well parallel. Where one is high the other is high, and, therefore, there is generally covering a period of 60 years a gap or a difference between the milk price and the milk equivalent of butter prices of somewhere between 40 or 50 cents. Now, that must mean that without any human contrivance but from the result of economic laws which we must obey there is a more or less constant difference between the milk prices—wholesale milk prices and the milk equivalent of the butter price of somewhere between 40 and 50 cents. Now, take the present situation. Our last cheque for cream—and we are separating more than half of our milk at present—our last cheque for cream gave a price of 24 cents a pound butterfat at a test of 3·4. That would be 82 cents a hundred for milk. That is the milk equivalent of the butter price. Now, we add the lowest difference of 40 cents and we get $1.22, add to that the cost of transportation which for the Toronto area is about 30 cents a hundred on the average, and you get $1.52 which should be the present price of 3·4 milk based on butterfat. The present price of 3·4 milk is $1.45, so that the whole milk price suffers at the present moment in comparison with the butter price.

By Mr. Tummon:

Q. You are taking your first figure that you added to the price per hundred, butterfat as about the average of what has been shown by your New York chart?—A. Yes.

Q. Or about 40 cents?—A. 82 plus 40 plus 30 for transportation, and that price is 7 cents above the present association price in the Toronto area.

By the Chairman:

Q. There is this to be said, that the price of butter fluctuates a good deal more rapidly than the price of fluid milk can?—A. Certainly.

Q. It may be up 5 cents to-morrow?—A. As a matter of fact, butter prices have varied while milk prices hold steady at $1.45—butter prices or butterfat prices have varied from 30 cents to 16 cents in the same period. Now, the present price of producing milk at Localda Farm at Port Hope—I am taking one day's production, and as our production is very steady I think it is a fair estimate—of 375 pounds of milk per day. Chop and concentrates, 140 pounds

at 1 cent a pound, worth $1.40; hay, 400 pounds, worth $1.60. Last year we decided not to put in any ensilage and to see if we could run economically, because silage is an expensive method of feeding, if you can get along without it. It is not orthodox, I know; but we have tried it and we have had fair success. Our cattle have come through the winter well on dry feed.

Q. Do you use turnips?—A. No turnips; no succulent food at all. I am not recommending it, but that is what we have done this winter. I estimate for all the concentrates and hay—that is good legume or alfalfa hay—$1.60; labour 9 hours per day, $1.80—20 cents an hour which I think is less than the distributors pay their drivers; depreciation 18 cows valued at $1,500, 10 per cent on that is $150, or 40 cents per day; buildings, $3,000, 5 per cent depreciation or 40 cents a day; milking machine at $365, 10 per cent depreciation, 10 cents a day; gasoline to run the machine, 10 cents a day; veterinary services, $30 a year, 8 cents a day; cooling milk, including ice and labour, 15 cents a day; one-half of the taxes—because we estimate that the proceeds from the farm come about half from the dairy and half from other things—one-half for the taxes, 30 cents a day, making a total of $6.33 a day cost for producing 375 pounds of milk, or $1.69 per hundredweight. Proceeds: price of milk at the dairy. Our test last month—we have a holstein herd—was 3·2. It was $1.37 for 3·2 milk; hauling, 33 cents a hundred, leaving a net return of $1.04. We are shipping right at the present moment, and I am dealing with the present situation, three days a week. 375 pounds for three days a week at $1.04 comes to $11.70 in the week. Now, for the rest of our milk—the other four days the price of the butterfat on the last cheque we received was 24 cents. 375 pounds at 3·2 yields 12 pounds of fat. Twelve pounds of fat at 24 cents per day, four days per week, $11.52. Then we have 1,500 pounds of skim milk for four days at 15 cents a hundred, $2.25 making a total return per week of $25.47, or $3.64 per day, or 97 cents per hundredweight return. Cost $1.69; loss $2.70 per day. That is our own farm. Now, then, the alternative estimate for the whole Toronto area; taking an estimate of 8,000 cans of milk and four cows necessary to fill one can of milk—that is 20 pounds per day per cow or 7,300 pounds per year which is above the average—it would require at least four cows per can—32,000 cows at $75 each. You may, of course, question that estimate.

The CHAIRMAN: I do.

The WITNESS: That is not what they would sell for now, but that is what they have cost the farmer right now unless he has bought them recently—$2,400,000. For feed—I am told this is a low estimate for acreage, but I have put in 2 acres for grain, 2 acres for hay and silage per cow, making 128,000 acres necessary to furnish feed for those cows, and those acres with buildings at $75 per acre, $9,600,000. Then on the farm $1,500 worth of implements and horses, one-half of which to be charged to the dairy, makes a total of $750 per farm for 3,500 farms, $2,625,000, or a total investment of $14,625,000, and I am quite convinced that is a low estimate. That is the capitalization. The maintainence charges per farm—labour $1,000; taxes chargeable to the dairy $75; threshing, silo-filling, supplies and expenses $125—I am sure that is low—making a total of $1,200 of maintainance charges each for 3,500 farms, $4,200,000; interest on $14,625,000 at 5 per cent is $731,250; so that 2,920,000 cans of milk, which is the amount of milk consumed in the city of Toronto in a year, cost $4,931,250. So that with interest counted it is $1.69 per can or $2.11 per hundredweight; without interest, $1.44 per can or $1.80 per hundredweight. My other estimate, based on our own farm is $1.69. I admit there is a variation there. Now, a little comparison: the farmers who supply milk to the city of Toronto have an investment of $14,625,000. The dairies who distribute the milk estimate their capital investment at $1,000 per can. That is the quickest way of arriving at their capitalization. That is their own estimate of capitalization. 8,000 cans for

$1,000 per can is $8,000,000 which is the investment of the dairies distributing milk in Toronto. The investment of the farms shipping milk to the dairies is $14,625,000. The farmer receives for 3·6 milk which the dairies say is the average of the milk delivered to the dairies, $1.23 per hundredweigth net. For an investment of $14,625,000, plus their labour, taxes and expenses, $1.23 per hundredweight for the farmer. For the dairy, for an investment of $8,000,000 and for the labour of pasteurizing and distributing, the distributors receive approximately $2.17 per hundredweight. I am giving you Mr. Chairman, the facts.

By Mr. Pickel:

Q. That is about the spread to the farmer.—A. Yes, that is your spread to the farmer, $1.27 spread to the dairy $2.17 for interest and their labour.

By the Chairman:

Q. These figures, professor, are based entirely on fluid milk?—A. Oh yes, but it is based on what they estimate the value of a dairy plant, what it costs to put it on the market.

Q. Does that take into account surplus milk?—A. No, that takes for the 9¼ cents, and not 10 cents that a quart is, or the average. That brings me to a question asked one of the former witnesses; how the farmers manage to survive with a continual loss. Here is the answer to the question, at least one answer. A farm of 145 acres which sold five years ago for $14,000, was resold recently for $6,500. That was a case that came to my knowledge. This is something that happened in our own firm, a good grade of dairy cow sold seven years ago at $100; the prevailing price to-day for the same quality of stock is $40 and $50. Farm capital values have depreciated by more than 50 per cent.

The CHAIRMAN: Any questions, gentlemen?

Mr. PICKEL: I don't know Mr. Chairman, the professor is a very good witness, and I don't know how we are going to improve on what he has said.

Mr. LOUCKS: That is splendid.

The CHAIRMAN: I think he has been very much to the point, and I think the committee is indebted to him for what he has given us.

Mr. PICKEL: That is very pertinent evidence, there is no question about that.

The CHAIRMAN: Thank you, Professor. We will now call on Mr. Fletcher.

HIRAM FLETCHER, called and sworn.

By the Chairman:

Q. You are a member of the executive of the Hamilton association?—A. I am a member, merely, of the association, Mr. Chairman.

Q. What is the name of your association?—A. The Hamilton Producers Association. I have a statement, Mr. Chairman, that I would like to file.

Q. We will have you give it to the committee, if you will.—A. As has already been brought out this afternoon by the previous witness, Mr. Marritt, as secretary of the Ontario Milk Producers Association, the Hamilton Producers Association is a unit of the Ontario Association.

HAMILTON SITUATION

Following the sale of the Hamilton Dairy and the Pure Milk Company, there was a rapid increase in the number of dairies and thus a number of wagons doing business in the City of Hamilton. A fair

estimate of this number is an increase of 60 since 1928. More than half of these wagons were put on the street and selling milk which was purchased below the price paid at the dairies with which the association was dealing. Giving credit to some of the new dairies when they secured custom, and when there was a reduction in price, came in line with the price paid by dairies for association milk, but in the majority of cases these dairies continued to buy at a lower price and also in some cases, the farmers are not being paid for their milk. In some cases milk is not being paid for until after three months time. Beside a number of dairies buying milk at a lower price, some dairies have had a practice of buying an extra can from a farmer at a lower price and also have taken on shippers who were shipping to Toronto at lower prices when this milk had been offered to them; Toronto shippers being better satisfied to ship to Hamilton at a lower price owing to the high cost of transportation to the Toronto market.

This milk, which had formerly been going to Toronto, was offered to them at a lower price, owing to the fact that it was more profitable to a Toronto shipper to sell his milk in the Hamilton market at approximately $1.25 for all the milk, rather than send the milk to Toronto at $1.45, less cartage charges. Toronto shippers are always willing to change their place of shipment to Hamilton, if it is possible for them to get a dairy in Hamilton to take their milk. This milk is often sold at a lower price with the hope of being taken on as a regular shipper later on.

WHOLESALE MILK

The price of wholesale milk during this summer and fall has been lowered considerably. One Dairy accepted the School contract for milk in half-pints at $1\frac{7}{8}$ cents. This is a price much lower than other dairies are selling half-pint milk.

I might just explain there that in order to do that this particular dairy had to go out and buy milk outside the regular zone where milk was coming into Hamilton, he had to buy milk that was going into manufacturing purposes; in order to give that price to the Board of Education, which only helped to make the situation worse, there was that much more surplus milk coming into Hamilton.

The larger dairies have been required to meet low price competition in the wholesale market in many cases. In some cases, they have not met it and have allowed the low price dairies to take this milk. This has increased the amount of surplus in the dairies who are paying Association price for their milk.

RELIEF MILK

The City of Hamilton established the practice in the fall of 1931 of paying 1 cent less than retail price for relief milk. This was done during the Fall when milk was selling at $1.85 per hundredweight. A large amount of milk was offered to the City at $1.25 a hundredweight at that time. The dairies in order to hold this business for themselves and their shippers finally arranged to take 9 cents for all relief milk. The amount of relief milk sold in the city amounts to between 10 per cent and 12 per cent.

RETAIL MILK

An increasing amount of milk is being sold other than relief at 9 cents. The system in the city is that if a wholesale customer takes three quarts, a reduction is made to 9 cents. This has grown until an increas-

> ing amount of milk is being sold at 9 cents and in many cases the dairies do not consider this wholesale agreement and considerable milk is being sold at 9 cents a quart. Dairies stated that they would not lose any more trade to the cut-price dairies at 9 cents and are going to meet it. There are two ways of meeting it. One was for the price of milk to be cut to 9 cents a quart and the price to the farmer be cut accordingly. The other was to retain as high a percentage of the retail milk at 10 cents as possible and when required, to meet the cut price at 9 cents. This would have been very serious practice as this system would have grown and have been very unsatisfactory to both dairies and farmers, as it would have resulted in the price structure breaking down and all milk being reduced to a lower price level.

Now, Mr. Chairman, I am sorry that I did not bring with me a questionnaire, or a number of the questionnaires, which were sent out from the Hamilton District Milk Producers' Association to various shippers throughout that area, asking them to figure out the actual cost to them of producing 100 pounds of milk. It was very interesting, when the committee received these questionnaires, just to see the different methods and the different figures arrived at by the different producers. The cost of production ranged all the way from $1.40 up to $2.75 per 100 pounds. In my own case, while I can't give you the details of the amounts which go up to make the total figure of $1.96 per hundred pounds, without allowing anything for my own services as manager—I included interest at 5 per cent on capital investment and all other labour outside of my own was included in that amount.

I have a few suggestions which in my opinion might help to solve the situation—I say that they are my own opinions, and you make take them for what they are worth. I am firmly convinced that milk should be a public utility; that it should be handled by a Public Utilities Commission.

The CHAIRMAN: Do you mean handled or controlled?

The WITNESS: The sale controlled, "control" is the better word, by a Public Utilities Commission. We have at the present time, between 650 and 700 producers shipping milk into the Hamilton market, approximately 2,000 cans a day supplying the whole milk trade to the Hamilton market. That milk could be, and should be, produced from an area of possibly 10 miles surrounding the city of Hamilton.

The CHAIRMAN: Where would you be?

WITNESS: I would come in the 12 mile limit, Mr. Chairman. We have milk coming, I would say, approximately 70 miles, milk that until recently—a great many herds were not accredited, and not t. b. tested—milk which formerly went into the manufacture of milk products. If there could be some method of controlling the transportation of that milk, working in conjunction with boards of health of the various centres, and the truckers' association, so that the milk which would ordinarily go into other channels—if it could be prevented from coming into competition with the milk which has ben naturally coming into the fluid milk trade. If there could be some stabilization or some market encouraged or cultivated for cheese and milk products, I think that would go a long way towards solving the situation of the fluid milk trade. I was very glad that Dr. Reynolds mentioned the one instance of property that changed hands just recently. I know the property very well. It is situated right close to my home possibly as good a dairy farm as we have in the county of Wentworth. That farm sold a few years ago for $14,000. The man who bought it failed, and the mortgagee had to take the property over. The mortgagee happened to be a widow, and after listing the property with several real estate firms, she finally made sale last week for $6,500.

By Mr. Pickel:

Q. Cash?—A. Partly cash; but it is a genuine sale. The man who purchased it was able to make a good substantial payment on it.

Q. Is he a milk producer?—A. No, he is not.

Q. Is he a farmer?—A. He is a farmer, but is not going into the milk business. He is going to farm it as a grain farm for the time being.

Q. He is a wise man.—A. But there is stabling equipment there for about forty head of cattle, one of the finest set of buildings that you will find, buildings that could not be built to-day for $10,000. Yet those buildings and 135 acres of land, as good a dairy farm as there is in the county of Wentworth, sold for $6,500. So that just goes to prove the very depressed condition that the dairy industry, or the man who is producing milk for city consumption, is facing to-day. Now, I do not think that I have any further suggestions to offer, Mr. Chairman. If there is any question the members of the committee would like to ask, I will answer, if I can.

By Mr. Pickel:

Q. I am just going to ask you a theoretical question; don't you think that the farmer deserves and is entitled to a fifty-fifty division in the price of milk?—A. Doctor Pickel, that has been advocated among some members of our association, that if we could get the distributors of Hamilton to consent to that, our troubles would be over.

Q. They would not sell any five or six cent milk, then?—A. They would see that the price was high enough, if we could get fifty per cent.

Q. They would have civic regulations passed that would keep the bootlegger out; that is what they would do. They would see it was done.—A. That very thing has been advocated by some members of our association.

The CHAIRMAN: What effect would that have upon the consumer?

Mr. PICKEL: No effect whatever.

The CHAIRMAN: On the consumer's price?

Mr. PICKEL: You could limit the price to the consumer also, to ten cents, if you want to; but let the farmer get a fifty-fifty division in the price of milk. He is entitled to it, and let him get it.

The WITNESS: As the number of dairies has increased in Hamilton, the spread between the cost of production and the cost to the consumer has gradually crept up. To-day we have wagons on the streets of Hamilton, who are handling possibly one-fifth—possibly not that much—of what they should be handling; one driver following another, trying to steal business from him.

By Mr. Pickel:

Q. Sure, having a good time.—A. Yes.

Q. Joy-riding?—A. Yes,

Q. Sure.—A. Yes, and these men are all well paid; they have got to be.

Q. Better than the farmer, a good deal?—A. I believe the average driver for the Hamilton dairies, with the commission he receives, is receiving in the neighbourhood of $30 per week. Now, I venture to say that you could count the producers on the fingers of your one hand, in the county of Wentworth, who made that this last year, with a capital investment of anywhere from $10,000 to $15,000.

The CHAIRMAN: Any further questions, gentlemen? Well, thank you, Mr. Fletcher.

We will adjourn now until 10.30 to-morrow.

The committee adjourned at 5.55 p.m. until 10.30 a.m., Tuesday, May 2, 1933.

APPENDIX "B"

PRESENT COST OF PRODUCING MILK AT LOCALDA FARM

375 pounds of milk per day

	Per day
Chop and concentrates, 140 pounds	$1 40
Hay, 400 pounds	1 60
Labour—9 hours	1 80
Depreciation, 18 cows at $1,500—10 per cent=$150	40
Buildings at $3,000—5 per cent=$150	40
Milking machine at $365—10 per cent=$36.50	10
Gasoline	10
Veterinary services—$30	08
Cooling milk (ice, labour)	15
One-half of taxes	30
=$1.69 per cwt.	$6 33

PROCEEDS

Price of milk at dairy	$1 37 for 3.2 milk	
Hauling	33	
Net	$1 04	
375 pounds, 3 days a week at $1.04		$11 70
Price of butterfat—24 cents.		
375 pounds, 3·2 per cent=12 pounds fat.		
12 pounds at 24 cents—4 days a week		11 52
1,500 pounds skim milk at 15 cents		2 25
7 days milk yielding		$25 47

=3.64 per day.

375 pounds yielding 3.64.

=97 cents per cwt.

375 pounds costing $1.69 yielding 97 cents per cwt.

=a loss of $2.70 per day.

COST OF PRODUCING MILK IN THE TORONTO AREA

8,000 cans milk =32,000 cows at $75		$ 2,400,000
Per cow—2 acres for grain, 2 acres for hay and silage=128,000 acres, with buildings, at $75		9,600,000
$1,500 of implements and horses, one-half charged to dairy.		
$750 per farm for 3,500 farms		2,625,000
		$14,625,000
Per farm—Labour, 2 men at $500	$ 1,000	
Taxes chargeable to dairy	75	
Threshing, silo-filling, supplies and expenses	125	
3,500 farms, each	$ 1,200	4,200,000
Interest on $14,625,000 at 5 per cent		731,250
2,920,000 cans of milk cost		$ 4,931,250
With interest	$1 69 per can.	
	2 11 per cwt.	
Without interest	1 44 per can.	
	1 80 per cwt.	

For this investment of $14,625,000 for labour, taxes, and expenses, the producers receive approximately $1.23 per cwt. for bottled milk containing 3·6 per cent of butter fat.

For an investment at $1,000 per can the distributors estimate a total capital charge of $8,000,000. For this and the labour of pasteurizing, bottling and distributing, the distributors receive approximately $2.17 per cwt.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MAY 2, 1933

No. 25

Reference,—Milk and Milk Products

WITNESSES:

R. F. Caulfield, President, Caulfield's Dairy Ltd., Toronto.

T. H. Thorne, Regional Accountant, Borden's Limited.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, May 2, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Carmichael, Dupuis, Fafard, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Rowe, Senn, Simpson, Smith, Spotton, Stewart, Stirling, Swanson, Taylor, Thompson, Vallance, Wilson.

The question of calling further witnesses was discussed and stood over till later.

Mr. Pickel produced an affidavit made by one James B. Elliott deposing to alleged facts connected with his being notified to discontinue supplying milk to the Perfection Dairy Limited of Montreal. Mr. Pickel proposed that the said affidavit be incorporated in the evidence. Objection was taken by Mr. Dupuis.

On motion by Mr. Tummon the said affidavit was ordered printed on the record.

R. F. Caulfield, president of Caulfield's Dairy Limited and T. H. Thorne, regional accountant of Borden's Limited were severally called, sworn, examined and retired.

The question of calling further witnesses was discussed and referred to the subcommittee.

The chairman submitted the names of the subcommittee appointed to draft a report, as follows: Messrs. Tummon, Pickel, Bertrand, Cayley, Loucks, Bowman, and Bouchard.

The meeting adjourned at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Tuesday, May 2, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The Chairman: Before we start with witnesses this morning, I think we should come to a conclusion about the matter of taking any further evidence. At the last hearing it was the opinion of the members that we should close our proceedings very soon, and I am still of that opinion, if we are going to get any report to the House before it closes. What is the committee's wish in this respect? (Discussion follows.)

Mr. Pickel: Mr. Chairman, if I am not out of order, I should like to read an affidavit into the record. This is an affidavit of Mr. Elliot of Howick, Quebec, and is made in relation to the evidence given by Mr. Monette of the Montreal Dairy in answer to a question of Mr. Bowman. The question and answer are as follows:—

By Mr. Bowman:

Q. How is it you happened to discontinue that man?—A. There is no discrimination; there is a truck that does not stay there to receive milk there in that district, and Mr. Elliot happened to be sending his milk in that truck; that is why we say we discontinued him. I will go further. We had some milk shippers in that same district that were shipping by C.N.R. and we keep them on because it suits us to do that.

Now, here is the affidavit of Mr. James B. Elliot:—

To Whom it May Concern:

James B. Elliott of the Parish of Tres-St-Sacrement, county of Chateauguay, province of Quebec (Farmer) being duly sworn, deposeth and saith.

1. That he was the only milk producer in the Howick territory which was ordered by Monette to discontinue shipping milk, that two near neighbours who previously shipped still continue to ship to Monette.

2. That he shipped his milk by the Canadian National Railway not by truck at the time he was ordered to discontinue shipping to Monette.

(Sgd.) James B. Elliott.

Subscribed and sworn before the undersigned at the Village of Howick, this 27th day of the month of April, in the year one thousand nine hundred and thirty-three.

(Sgd.) David Vass,
Justice of the Peace in and for the District of Beauharnois.

Mr. TUMMON: I move that the affidavit be spread on the record.

Mr. DUPUIS: Although I have no doubt about the affidavit—I should rely on that—we must not forget that the witness against whom this affidavit is directed, was himself sworn before this committee. My recollection of British fair play and British custom, is that we should not proceed in the absence of the accused or the interested parties. I would submit before this affidavit is incorporated in the record, we should call Mr. Monette; otherwise, it is unfair. I never heard, since Magna Charta of a person being convicted in his absence. He should be present.

Mr. PICKEL: This is simply a fact-finding body. We are not prosecuting nor persecuting Mr. Monette. He is not on trial. These are simple facts. If Mr. Monette wants to argue the point, it is strictly up to him; but I think this should be read into the record.

Mr. DUPUIS: With all due respect to my colleague—I was going to say my learned friend, he is learned enough in these matters to be called my learned friend—this is a real condemnation of Mr. Monette. Mr. Monette comes here and tells us that he had a truck that brought milk from that district. He said that in a sworn statement, and to-day in the absence of Mr. Monette, we produce evidence to the contrary, and it would be left in that situation. The conclusion is clear. Either Mr. Monette or Mr. Elliot has made a false statement. Either one of them is perjuring himself. There must be one true statement and the other false.

Mr. MOORE: They are both sworn.

Mr. LOUCKS: We are not responsible for that Mr. Chairman, at all.

Mr. WILSON: Mr. Chairman, I might say this: we all realize, no matter from what district he comes, that this is a common practice of the dairy companies, the cutting off of milk producers that are not satisfactory to them; and I think it is only doing justice to Mr. Elliot to have the affidavit placed upon the record. This could be followed out, if we had time, to bring producers from my section of the country especially, where the dairy companies cut them off, all over the country. As Dr. Pickel has said, this is a fact-finding body, and I cannot see any reason why the affidavit should not be placed on the record.

Mr. PICKEL: I think in all fairness, a copy of this affidavit should be sent to Mr. Monette, and let him act accordingly.

The CHAIRMAN: Well gentlemen, this is not a court of law where Mr. Monette or Mr. Elliot is on trial. This is a fact-finding committee. Mr. Monette made certain statements under oath, of course. This affidavit has been presented by a member of the committee, a statement which was made under oath, and I do not see why it should not be placed on the records of the committee, and the committee give such weight to the evidence as it may think fit. Are you ready for the motion? Carried.

The CHAIRMAN: We have this morning, a representative from Caulfield's Dairy Limited, upon whom I shall now call.

ROBERT FRANCIS CAULFIELD, called and sworn.

By the Chairman:

Q. Will you give your position to the company?—A. President of Caulfield's Dairy Limited, Toronto.

Q. You have a statement to make?—A. I have a statement to make.

MR. CHAIRMAN AND GENTLEMEN:

I understand that it is your desire to obtain information relating to the conditions of the milk trade as it affects Caulfield's Dairy Limited of Toronto. I appreciate the opportunity afforded me to give this information.

First of all may I deal with the arrangements which are made for purchasing milk from the producers.

Representatives of the distributing companies meet with the executives of the Ontario Milk Producers' Association and arrange with them the base price to be paid from time to time as market conditions warrant. Pleasant relations have always existed between ourselves and the producers and we are, and always have been, anxious to co-operate with them for mutual benefit.

Our greatest problem is the surplus milk coming into the city daily. This milk is being sold at sacrifice prices to some distributors, who in turn undersell companies like ourselves who arrange to pay the producers the full price. This condition will be aggravated during the coming flush season of June and July, unless some way can be devised to take care of this surplus product. Many efforts have been made in previous years to deal with the matter, but owing to the lack of co-operation among the producers themselves, those efforts have not met with success. At the present time we are working in conjunction with the Ontario Milk Producers' Association on a plan which we hope will remedy this situation. The outlines of this plan are as follows:—

1. Producers who have a market in the city would not in future sell any milk to any other than their regular distributor—milk not required for use on their farms would be shipped as surplus to their regular distributor, thereby keeping their surplus from competing with their milk sold for street sales.
2. There would be no hold-backs. Distributors who are able to handle any surplus shipped by producers would do so. Those unable to handle surplus, as is the case with many small distributors, would arrange for some other distributor or creamery to handle this surplus.
3. There would be control of the truckers by a joint committee, composed of representatives from the Producers' Association, the distributors and the Truckers' Association to ensure that truckers would not carry surplus milk to other than the regular distributors.
4. So as to give the Producers' Association control of their members a form of contract would be agreed and the assistance of the civic authorities sought to ensure that only producers who are members of the association would be permitted to ship milk of the required standards to distributors.
5. A range of prices would be set:—
    - (*a*) The top price for all milk sold as fluid milk;
    - (*b*) A manufacturing price for milk required for ice cream manufacture, standardizing, etc.;
    - (*c*) Butterfat price for all milk used for the manufacture of butter.
6. Zoning would be considered with due regard to the interests of all regular licensed city shippers.

7. Bonding of all buyers and sellers of milk and milk products is considered essential for the protection of the producers.
8. Auditors (acceptable to both producers and distributors) would be appointed to examine the distributors' records to determine the proportions of milk sold for street sales, for manufacturing purposes and as butter so that each shipper to a dairy would receive a blended price based on the exact proportions used for each purpose. In arriving at the blended price consideration would have to be given to the quota allowed each shipper as compared with the fluctuation of his surplus.

We have prepared a series of tables which will furnish your Committee with information relating to the purchase and sales prices of milk by months by our company during 1932. From these tables it will be noted that we paid the producers an average of $1.48 per cwt. for 3·4 per cent milk f.o.b. the plant with an added 4 cents per point up or down as a premium, which resulted in their receiving an actual average of $1·536 per cwt. for milk used for street sales, or 3·95 cents per quart.

We realized 10·03 cents per quart from the sales of this street milk, which resulted in a spread of 6·08 cents per quart. The majority of our business consists of retail trade, approximately only 5 per cent being wholesale. During 1932 we purchased a total of 22,100,486 pounds of milk at an average price of $1·5306 per cwt. or 3·94 cents per quart. This quantity included 1,237,540 pounds of surplus milk used for standardizing cream at a price of $1·425 per cwt.

Actually the percentage of all milk purchased at association price is 94·5 per cent and only 5·5 per cent at surplus price.

These figures show that we purchased in 1932, 6 per cent more milk at full association price than we required for street sales.

This milk is received from producers within a radius of 12 to 90 miles who pay an average charge of ·32 cents per cwt. for hauling.

The following table explains how the spread per quart between purchase and sales price is accounted for:—

	Cents
Cost of product	4·24
Production expense	·76
Selling and delivery	4·26
Container loss	·19
Income tax	·07
Net profit	·51

We feel that if co-operation between the Ontario Milk Producers' Association and Toronto distributors with the plan previously supplied can be put into operation, benefit to all concerned will result.

By the Chairman:

Q. That is your full statement, Mr. Caulfield, is it?—A. Yes.

By Mr. Pickel:

Q. Have you a copy of that?—A. Not a spare one, no.

By Mr. Tummon:

Q. I have just a few questions to ask, and I will be as brief as I can. Mr. Caulfield, your company distributes one or two classes of fluid milk?—A. We have the special milk, which is the jersey and guernsey. These figures here are all—

Q. Combined?—A. No, this is just the regular milk.
Q. The regular milk?—A. Yes. This does not include any special milk.
Q. That is your standard milk?—A. Yes, standard milk.
Q. Can you tell the committee, or did you, the total number of pounds of milk that were being handled in the year 1932?—A. 1932?
Q. Yes; as I understood it, your figures were for the year 1932?—A. That is right.
Q. Is that your fiscal year—the calendar year is your fiscal year?—A. Yes.
Q. The total number of pounds of milk that your company handled was what?—A. 22,100,486 pounds.
Q. And you said that the association price that you paid for that was $1.50 something?—A. You are speaking of street sale milk?
Q. Yes?—A. $1·536.
Q. $1·536; that is what might be known as the association price?—A. That was milk that was purchased at—
Q. Association price, plus bonus?—A. Yes.
Q. You pay a bonus?—A. Of four cents a point over 3·4 milk.
Q. Over 3·4?—A. Yes.
Q. How much of the total quantity of milk, of that 22,000,000 some odd pounds of milk that you handled, was paid for at that price?—A. 20,872,966 pounds.
Q. The balance then, I presume, would be known as surplus milk?—A. Yes.
Q. And that amount was what?—A. 1,237,540 pounds.
Q. What was that paid for per hundred pounds?—A. The average price was $1·425.

By the Chairman:

Q. Your surplus milk?—A. Yes.

By Mr. Tummon:

Q. How much?—A. $1·425.
Q. What you gave us then, as paid for at the association price, and the quantity paid for at the surplus price makes up the total quantity of milk that you have for 1932, does it not?—A. Yes, that is right.
Q. Can you give us the total cost of that milk, fluid milk, for the year 1932, per quart? Have you that figured out in your table there? I think I noticed that you said you had some tables.

The CHAIRMAN: There are two different figures there per quart, are there not?

The WITNESS: Street sale milk, 3·95.

By Mr. Tummon:

Q. That is the cost was 3·95?—A. Yes.
Q. That was the association, 20,000,000 some odd pounds?—A. Yes.
Q. What was the average price per quart sold?—A. 10·03.
Q. And that left a spread of 6·8?—A. Right.
Q. I think I got those figures down.—A. 6·08.
Q. On that table that you gave us there—I could not hear very well—I thought you broke down that spread, didn't you?

The CHAIRMAN: Yes.

By Mr. Tummon:

Q. In the statement that you gave?—A. I didn't just hardly get that.
Q. You broke it down, or broke it up, whichever you have a mind to call it?—A. Yes.

Q. Would you go over those figures again, please?—A. Cost of product, 4·24; production expense, ·76; selling and delivery, 4·26; container loss, ·19; income tax, ·07; net profit, ·51.

Q. That is a net profit of approximately a half a cent a quart?—A. Right, sir.

Q. I was just comparing the spread. Your firm is part of the Borden Company Limited, or Borden's Limited?—A. Borden's Limited.

Q. It stands in the same relation to Borden's Limited as does City Dairy?—A. Right.

Q. I notice where the spread in the City Dairy was 5·36; your spread is 6·8.

Mr. PICKEL: 6·08.

The WITNESS: 6·08.

By Mr. Tummon:

Q. That is considerably over half a cent a quart; can you account for that or give any explanation of that, Mr. Caulfield?—A. Unless the retail business realize more for milk than the other company.

Q. I beg your pardon?—A. One company may have more wholesale business than the other.

Q. I notice that their figure, I think, was 3·88 per quart cost; yours was 3·95 cost?—A. Right.

Q. Not a great deal of difference there.

The CHAIRMAN: There is a difference there; he says 4·24 cost, in breaking it down.

Mr. TUMMON: Oh, yes; I am looking at the wrong figures. Not 3·95. That is another company's figure. It is 4·24, yes. 3·95 was his cost.

By Mr. Stirling:

Q. What is the difference between 3·95 and 4·24?—A. That would be inventory, adjustments, waste, and loss of milk returned from routes.

By Mr. Tummon:

Q. Let us get that, Mr. Caulfield; do I understand you to say this, that taking the total quantity of association milk that you purchased, it cost you 3·95?—A. Per quart.

Q. Per quart?—A. Yes.

Q. But when you figured the loss, you found that you had only sufficient quarts—that the cost was 4·24 as a result of wastage and such?—A. 4·4, that was the product cost.

Q. Do I understand that the difference between the cost given in the one case of 3·95 and 4·24 represents a loss of milk from some place, to you?—A. Yes, there is a waste in the milk that is returned on routes, from the drivers; it has to be churned.

Q. You don't count that milk in surplus prices, the returns, that is, that milk that is returned from the routes and used for churning?—A. No, sir.

Q. That is paid for at association prices?—A. Yes.

Q. Well, that is so much. Some of the other companies turned that back into surplus.—A. Not in our case here.

Q. You say that your average sale price per quart was 10·03?—A. The price that we realized on the milk?

Q. Yes.—A. It was 10·3.

Q. 10·3?—A. 10·03.

Q. That is what I thought, 10·03. I think the price given us the other day by your sister company, if I may so call it, was 09·24, the average sale price. That, you say, may be caused by one company having more wholesale business than the other?—A. A bigger percentage of wholesale trade.

Q. You say your profit per quart was ·51?—A. Yes.

Mr. TUMMON: Mr. Thorne is already sworn. I would like to ask him a question. Have you the profit per quart there, Mr. Thorne, for City Dairy this morning?

Mr. THORNE: No, sir, I have not, Mr. Tummon. I am sorry.

By Mr. Tummon:

Q. What I was trying to figure out, in my mind, was how it comes that the one company seems to be much more efficient in regard to profits than the other one; on the spread of 5·36 cents per quart, the City Dairy made a profit, and the profit for Caulfield's on a spread of 6·08 cents per quart is just about the same?—A. I didn't just get that, Mr. Tummon.

Q. Well, what I was wondering was this: the City Dairy, I think, had a spread of 5·36 cents per quart. Their profit was, if I remember correctly, practically the same as your profit, and you have a spread of 6·08 cents per quart?—A. Well, a big volume of wholesale business would make that difference, sir.

Q. In what way, Mr. Caulfield?—A. Well, the wholesale business would naturally pull his spread down.

Q. But that would not interfere with his profit?—A. Why, sure. He would have a bigger volume and smaller profits to work on.

Q. Yes, but it is the spread that we are dealing with.—A. Well, a smaller spread and a bigger volume would give him more profit than a big spread and a small volume.

Q. But then, in other cases we have where the volume of milk handled was approximately the same as your own, working on a spread of 4·5, showing a profit of approximately ·58 and ·60 cents. It is just a question. I have taken the time to make a little table of these, and one of the things that has rather puzzled me is the difference in spread when the profit does not vary much. You have, on your table there, broken up that spread so as to show how it is apportioned, the cost, have you not, and that will be filed with the Clerk?—A. I didn't get that.

Q. You have broken up that spread, I say, on a table there that you will file with the Clerk?—A. Yes.

Q. Very well, we will leave that. I will get what information I want in that. In regard to surplus milk, how do you handle the surplus milk? How do you use it?—A. How do we use it?

Q. Yes?—A. We use it in standardization cream; and any surplus we have beyond that, we churn it.

Q. When you say for standardizing cream, what do you mean by that?—A. Our cream comes in at 40 or 32 per cent, or both; and we have four different grades of cream to make out of it, 8, 16, 24 and 32.

Q. And if it comes in, for example, at 40 per cent cream, and you want to standardize it to 32, you add milk to it to bring it down?—A. Yes.

Mr. TUMMON: I guess that is all, Mr. Chairman.

By Mr. Pickel:

Q. What grades of cream do you deal in, Mr. Caulfield?—A. We have a cereal cream containing 8 per cent butterfat; we call that cereal cream.

Q. Yes?—A. Then we have 16 per cent cream, 24 and 32.

Q. What are the prices of those per quart?—A. 8 per cent, 26⅔ cents per quart; 16 per cent, 53 cents per quart; 24 per cent, 80 cents per quart; 32 per cent, $1.07 per quart.

Q. How do you pay for that cream? That is on the butterfat basis. You buy cream do you?—A. Yes.

Q. Do you separate any of your surplus milk for cream?—A. No.

Q. What do you pay for cream, that is at the present time?—A. We pay an average of 30·6 per pound fat.

By the Chairman:

Q. That is for '32?—A. That is for butterfat.

Q. For the year 1932?—A. Yes.

By Mr. Pickel:

Q. Could you give us an estimate, Mr. Caulfield, of what your profit is per quart on 32 per cent cream?—A. We have it figured out in half pints here.

Q. That will be easy to estimate?—A. 40 cents a pound.

Q. You make 10 cents a pound on that?—A. 40 cents a pound profit fat on a half a pint of cream.

Q. I didn't quite catch you—40 cents what?—A. 40 cents profit on the fat per half pint of cream.

Q. Mr. Caulfield, will you tell us, with the 40 per cent cream that you buy, what would be the cost of one gallon of 40 per cent cream?—A. There would be one pound of fat in one quart of 40 per cent cream.

Q. In the one quart?—A. In the one quart.

Q. Let us figure it out; there is one pound?—A. Yes.

Q. That would cost you 32 cents?—A. Yes.

Q. That would be $1.28 a gallon; would you pay $1.28 a gallon for that?—A. Yes, that is about right.

Q. What would you sell that gallon of cream for? Is the price about equalized between the 8 per cent, 16 per cent, 24 per cent and 32 per cent?—A. Our average selling price of 32 per cent cream—not 32 per cent cream but in the year of 1932, is $1.40.

Q. That is $1.40 a quart?—A. $1.49 a quart—a gallon.

Q. $1.49 a quart?—A. A gallon.

Q. That is your selling price?—A. That is what we realize for it.

Q. You mean profit?—A. No, selling price.

Q. Oh, oh. You sell at $1.07 a quart?—A. Would you mind repeating your question over again?

Q. You pay $1.28 for 40 per cent cream you buy from the farmer; you pay $1.28 for—

The CHAIRMAN: Per gallon.

Mr. PICKEL: Yes, per gallon.

By Mr. Pickel:

Q. What would you realize out of that gallon of cream, selling as 8 per cent, 16 per cent, 24 per cent and 32 per cent? What would that net you for a gallon of cream?—A. The average selling price in 1932 was $1.49 a gallon.

Q. A gallon of what, 40 per cent cream?—A. Average cream.

By Mr. Bertrand:

Q. What is average cream?

The CHAIRMAN: That is an indefinite statement, a very indefinite statement.

The WITNESS: I thought that is what you asked.

By Mr. Pickel:

Q. No, I have asked you a specific question directly; a gallon of 40 per cent cream that you pay the farmer $1.28 for, will make you how many gallons of eight per cent cream—five gallons?

The CHAIRMAN: Oh, more than that.

The WITNESS: I am sorry, I can't give you that figure just now. It will take a little figuring out.

Mr. PICKEL: It will be approximately 5 gallons.

Mr. BOUCHARD: More than that.

The CHAIRMAN: There would be more than that, because they add milk; they add 3·4 milk to it.

Mr. BOUCHARD: Nine.

Mr. PICKEL: Say about nine, would it be?

Mr. BOUCHARD: Yes.

By Mr. Pickel:

Q. Let us get at this; it is rather important, more important than I thought. You would get how many gallons? You must certainly know how many gallons you would get of 8 per cent cream out of it?—A. Well, I have done a lot of that kind of work, but I have got a little rusty on those figures, but I will get those figures for you.

Q. Well, it is simply a matter of mathematics, is it not?—A. Yes.

Q. You have got a gallon of 40 per cent cream, and you are asked how many gallons of 8 per cent cream that will make.

The CHAIRMAN: It is not an easy computation to make.

Mr. BOUCHARD: No, it is not.

Mr. PICKEL: I know, if you take into calculation the diluting which you use.

The CHAIRMAN: Yes, they use milk of 3·4, of 3·6, to dilute the cream down to 8 per cent. It is rather a complicated mathematical question.

Mr. PICKEL: Mr. Bouchard may be able to tell us.

Mr. BOUCHARD: Yes. We call that cream; it is a very polite term for milk, in which we have twice as much butterfat as in the ordinary good milk. So you take a gallon of milk, 3·5, and you add to it 4·4—let us take a little more, let us add five—if you take eight gallons of milk and you add a gallon of your cream of 40, that would give about an average of eight gallons of cream at 8 per cent; so that if you figured it 7 gallons of milk and one gallon of cream, that makes it eight gallons, roughly.

The CHAIRMAN: It would make some difference, would it not, Professor, as to the quality of the milk, whether it is 3·2 milk or 4 per cent.

Mr. BOUCHARD: 3·2 milk is no milk. I am taking 3·5. It would be easier with 4, but let us take it 3·5; then you have the cost of your milk and the cost of your cream; and I think, roughly, 8 gallons would be about right.

By Mr. Pickel:

Q. Now, Mr. Caulfield, that roughly speaking will make you nine gallons?

Mr. BOUCHARD: Eight, rather.

The CHAIRMAN: That is not evidence, after all. I mean to say, it is not evidence—

Mr. BOUCHARD: No, it is not evidence, but it is evident.

The CHAIRMAN: Oh, yes.

Mr. ROWE: Would Mr. Caulfield admit that it is evidence?

By Mr. Pickel:

Q. Do you agree with those figures?—A. I would rather submit those figures a little later on.

Q. Then, do so.—A. All right.

Q. Let us know your actual profit on 8, 16, 24 and 32 per cent cream. The way I figure it, it gives you $1.28, and you are getting 4 and 4½ for 8 per cent cream. Now, in your evidence to Mr. Tummon, you said that your surplus milk was used largely in standardizing that cream?—A. Yes.

Q. Why should there be a diminution in the price of that surplus milk when you are making a good deal more than you are on the sale of whole milk?—A. Well, that has been the buying arrangement for—

Q. I understand it is the buying arrangement, but why? Is there any reason for it, when you are making more money on it than you are on whole milk, a good deal more?—A. We have always bought our surplus milk for standardizing or any other manufacturing that may be used along in the dairy business.

Q. At a lesser price?—A. Yes; manufacturing butter or ice cream.

Q. Is there any reason why that should be done, why the producer should be penalized on that milk that you use to standardize cream, when you are making more on it than you are on the street sales, a good deal—twice as much? —A. Well, the surplus milk that we have been buying is pretty near on a par with the price—

Q. $1.42 compared with $1.53?—A. Yes.

Q. You dock it 11 cents?—A. Yes.

By Mr. Tummon:

Q. At the same time, is it not a fact that the standard price of association milk is $1.45?—A. $1.48 was the average price for 1932.

By the Chairman:

Q. No, but the standard price?—A. Was $1.45 for eleven months of 1932.

By Mr. Tummon:

Q. What I was going to say is the extra amount that you pay as a bonus is not settled so much with the association; it is a matter of the companies giving a bonus for their milk?—A. No. We paid the producer $1.30 per hundred for his surplus milk plus a bonus, for all the surplus milk.

By the Chairman:

Q. You paid a bonus on the surplus milk as well, for higher grade butter-fat?—A. Yes.

By Mr. Pickel:

Q. When did Caulfield's become amalgamated with Borden's?—A. June 6, 1929.

Q. When was Caulfield's first organized?—A. August 28, 1914.

Q. What was the capitalization?—A. $40,000.

Q. Was there a readjustment made of the financial structure after that?—A. No, sir.

Q. It remained that until Borden's took it over?—A. Yes.

The CHAIRMAN: In June, 1929, that was.

By Mr. Pickel:

Q. How was that $40,000 made up, in what shape?—A. There were 400 shares of $100 par value.

Q. Were they all issued?—A. Yes.

Q. Who controlled that company, Mr. Caulfield?—A. S. Caulfield, my father.

Q. None of those shares were marketed?—A. No.
Q. Never boarded?—A. No.
Q. It was—.—A. Just a private company.
Q. A closed concern?—A. Yes.
Q. What was the price to Borden's?—A. You mean what stock Borden's Limited turned over for this company?
Q. Yes?—A. 7,560 shares of $25 par value.

By the Chairman:

Q. 7,560 shares?—A. Yes.
Q. Of no par value?—A. Of $25 par value.
Q. Those would be preferred shares?—A. Just a minute—yes, that is correct.

By Mr. Bertrand:

Q. 7,560 shares?—A. 7,560 shares.

By the Chairman:

Q. Preferred shares or common?—A. Common shares of the Borden Company.

Mr. BERTRAND: What else?

By Mr. Pickel:

Q. Anything else?—A. That is all.
Q. Any good will?—A. That is all that was paid for the company.
Q. Do you pay any dividends?—A. Have we paid any dividends?
Q. Do you pay any dividends now?—A. No.
Q. What were the dividends paid under the old firm name of Caulfield's?—A. None.
Q. What was the profit?—A. The profit on the old company up until 1929?
Q. Yes.—A. I am sorry, I only have the one, 1928 profit.
Q. All right, give us that?—A. $23,613.67.
Q. On a $40,000 capitalization.

By the Chairman:

Q. How much was that again?—A. $23,613.67.

By Mr. Pickel:

Q. What became of the profit—there was no dividend, what became of the profit?—A. Built up in surplus.
Q. What surplus did you have transferred to Borden's?—A. S. Caulfield's & Sons surplus $91,821.41.
Q. What was done with that?—A. I would like to have Mr. Thorne just explain the capital structure of these companies, he knows more about it than I do; if it is your pleasure.

The CHAIRMAN: We are satisfied with that, doctor.

Mr. PICKEL: Yes, sir.

Mr. THORNE, recalled.

The CHAIRMAN: Mr. Thorne is sworn.

By Mr. Pickel:

Q. What became of that surplus, Mr. Thorne?—A. That was retained in the business and turned over in the present Borden's Limited.

Q. Does that include everything, reserves and all?—A. That was only surplus.

The CHAIRMAN: I would suggest, doctor, that you ask Mr. Thorne what assets were turned over at that time to the Borden's company.

By Mr. Pickel:

Q. Yes, what were the final assets turned over at the time Borden's took it over, for what you paid how much, Mr. Thorne—calculated in dollars?—A. $695,520.

Q. Now, that is the amount of 7,560 shares at $25?—A. The market value of the shares at that time was $92 per share.

Q. In this transfer, Mr. Thorne, the Borden's company took over the surplus reserves and all assets of the Caulfield's company?—A. What they call their net assets, yes. Now, there was another company that entered into that same merger, Mr. Pickel; you have not inquired as to that yet.

Q. What company was that?—A. That was known as Caulfield's Limited of 2187 Yonge street, Toronto.

Q. Well, was that a subsidiary?—A. That was entirely separate, organized by a separate organization.

Q. Was that included in the $695,000?—A. That is exclusive of that.

Q. What was paid for the other company?—A. Figured at the market value of Borden's shares at that time $623,942.08.

Q. Were these two Caulfield's separate and distinct companies?—A. At the time of the acquisition, yes.

Q. Who were the officials?—A. You mean of the first company or the second?

Q. Of both Caulfield's, were they different officials?—A. Yes. The officials of S. Caulfield & Son, the original or the older company of the two were Samuel Caulfield, president, Robert Francis Caulfield, William George Caulfield, Jane Caulfield and Florence Caulfield.

Q. That was a family affair?—A. A family affair, yes.

Q. What was the other company, Mr. Thorne?

By the Chairman:

Q. The other company was known as Caulfield's Dairy Limited wasen't it? —A. Yes. Ernest W. Stronach, president, Mrs. Marian Christian, Alexander H. Stevenson, F. W. Lines, A. N. Worthington and W. L. Knowles.

Q. Why did they take the firm name of Caulfield's Dairy, is there no connection between the two?—A. Not at the time, they merely adopted that for trade purposes.

Q. And the other company permitted that—you mean, there was no direct connection between them of a financial kind?—A. No.

Q. But I would imagine that the Caulfield family had an interest in this company?—A. No, none whatsoever; it was a competitive company.

By Mr. Pickel:

Q. And the parent company permitted that firm to use that name?—A. Well, I may say that this is a North Toronto company, as it was called commonly, and was organized May 22, 1924; whereas the original Caulfield company was organized in 1914.

Q. Did they pay anything for the use of the name?—A. Perhaps I had better give you the purchase price that covered the whole thing.

The CHAIRMAN: You did not give us the financial set-up of Caulfield's Limited at the beginning, the company which was organized in 1914.

Mr. BOUCHARD: This company is ten years after the original company.

Mr. THORNE: Perhaps I had better start with the original company, S. Caulfield & Sons.

By the Chairman:

Q. All right.—A. The only balance sheet I have from their records is dated January 1, 1929, and unfortunately that also includes the North Toronto company which turned over its net assets to Caulfield's Dairy Limited, the present company. I haven't the balance sheet of both companies separate, but I have the merged figures that combined their balances at the date of acquisition.

Q. What I cannot understand is how these companies are taken in in the same organization if there was no connection between them prior to that time?—A. When the Borden's company came along, as Mr. Spotton said, "and looked over the fence," they thought both companies should be merged, and they proceeded to do that and make one company from the two old ones.

Q. The dealings between Borden's and these companies must have been separate at the beginning?—A. It was, each company was purchased separately—their respective net assets purchased—and then merged in the present Caulfield's Dairy Limited.

Q. I see, on the merger in the financial set-up they came together, and that is what you are trying to present?—A. Yes, I have that balance sheet of January 1, 1929, which was the effective date of acquisition of the two companies, showing what was purchased.

By Mr. Pickel:

Q. Did these two companies, Mr. Thorne, sell out to Borden's on the same date?—A. Approximately.

Q. What was the capitalization of this concern, Caulfield's Dairy?—A. $1,200,000.

By the Chairman:

Q. At the time of acquisition?—A. At acquisition it was $1,200,000—the new company.

By Mr. Pickel:

Q. And the capitalization of the old Caulfield's company remained at $40,000?—A. Perhaps it is a little difficult, Mr. Pickel, to explain how Borden's Limited entered into this set-up and how Borden's company of New York enter into it; the old shareholders of both old companies—S. Caulfield, and Caulfield's Dairy Limited of North Toronto—received shares in the Borden's Company New York stock.

Q. Of about a million and a quarter?—A. A little over a million and a quarter, yes. Then the net assets of both of these purchased companies were merged in the new Caulfield's Dairy Limited with a capitalization of $1,200,000—of their Caulfield's Dairy Limited common stock, $1,200,000.

Q. Mr. Thorne, did that $1,200,000 adequately cover the assets of these two companies?—A. Plus goodwill, yes.

Q. Plus goodwill, how much for goodwill?—A. Goodwill was set up at approximately $901,516.23.

Q. That was for both companies?—A. Yes.

Q. Can you tell us how that was divided?—A. I could not tell you that.

Q. That was a lump sum for both?—A. A lump sum for the two, yes.

Q. The assets of these companies were purchased by Borden's at $1,358,000 and some odd dollars.

By the Chairman:

Q. In stock of Borden's?—A. In the stock of the Borden's company.

By Mr. Pickel:

Q. What is the par value of that?—A. If you want to look at it from the par value standpoint it was $25 a share; and from the market value standpoint, $92 a share.

Q. But in 1932, Mr. Thorne, that would represent a market value of how much?—A. Do you mean, of their stock?

Q. That Borden's had invested in Caulfield's?—A. You of course, understand that no shares of Caulfield's Dairy Limited were outstanding in the hands of the company, they are all held by Borden's Limited of Canada.

Q. Sure, what is the value of the investment to Borden's to-day in dollars, giving it at par?—A. That would be a division.

Q. Not par, at market value?—A. I don't know what the market value would be, there is no market for it, Mr. Pickel; it is not for sale.

By the Chairman:

Q. What is it put at on the company's books?—A. $1,420,000 at 1932 is the outstanding capital.

By Mr. Pickel:

Q. On that stock what is your surplus to-day, Mr. Thorne; that is, does the set-up for depreciation and everything else—give us a lump sum?—A. The surplus as at December 31, 1932, amounts to $179,648.52.

By the Chairman:

Q. That is the surplus of profits in the profit and loss account?—A. In the profit and loss account, yes, built up from the date of acquisition.

By Mr. Pickel:

Q. Will you give me those figures again, please?—A. $179,648.52.

Q. Now, does that include the sum set aside for depreciation?—A. No.

Q. What is your depreciation account?—A. $191,899.77.

Q. Are there any other sums set aside for any purpose?—A. Reserve for fire insurance, $4,329.37.

By the Chairman:

Q. Bad debts?—A. $5,252.58; for reserve for taxes prior period $204.05; that covers all reserves.

Q. That is, nearly $400,000 about $380,000?—A. Approximately, yes.

By Mr. Pickel:

Q. Who are the officials to-day of Caulfield's in Toronto?—A. Messrs. R. F. Caulfield, president, Toronto; W. G. Caulfield, vice-president, Toronto; H. A. Cronk, New York; P. D. Fox, New York; A. T. Johnston, New York; H. C. F. Mockbridge, assistant secretary and assistant treasurer, Toronto, and Col. C. M. Ruttan, Toronto. Other officers: Messrs. W. H. Rebman, secretary, New York; E. L. Noetzel, treasurer, New York; T. D. Waibel, assistant secretary, New York, and G. Bittner, assistant treasurer, New York.

Q. What are the salaries of the Toronto officials?—A. R. F. Caulfield, $6,750.

By the Chairman:

Q. Does he act in any other capacity except as president?—A. No, that is all. Mr. W. G. Caulfield, $4,500.

By Mr. Pickel:

Q. Those salaries include everything?—A. That is all.
Q. No extras, or anything like that?—A. No other executive salaries.

By the Chairman:

Q. I would like to know something about the financial set-up of Caulfield's Dairy Limited; you say that there is so much stock, how is that stock issued—is it all in preferred stock?—A. You mean, the present capitalization?
Q. Yes.—A. In common stock.
Q. All in common stock?—A. $100 par value.
Q. What is it set on the books at?—A. It is carried at $1,420,000.
Q. How many shares are there?—A. 14,200.
Q. That is, $100 a share par value?—A. That is right.
Q. Have you taken out any profits at all?—A. No dividends were declared.
Q. No dividends were declared?—A. None.
Q. And no advances made to the parent company?—A. No advances were made directly to the parent company, there was some surplus cash transferred over to the Borden's Company Limited in Toronto.
Q. Is that included in your surplus account?—A. Well, indirectly, yes.
Q. That figure of practically $180,000 does that include that transfer?—A. Well, indirectly. You understand, of course,—we discussed that once before—that the surplus is the difference between the assets and the liabilities; now, this cash that was transferred from the Caulfield's Dairy Limited to the Borden's Company Limited merely represented an account receivable which entered indirectly into this surplus figure which I gave you.

By Mr. Pickel:

Q. There were no dividends paid from the Toronto office?—A. No dividends.
Q. All from New York?—A. On the parent company's stock, the Borden's company of New York.
Q. It is all parent company stock now, there is no more Caulfield's?—A. That is right.
Q. Can you tell us, Mr. Thorne, anything about the stock that is held in Canada?—A. The name, you mean?
Q. I am not talking about the smaller ones, but the larger ones—for instance, Mr. Caulfield?—A. Unless he can tell you himself I haven't any list of shareholders.

Mr. CAULFIELD: The amount of stock held in Borden's by the Caulfield family, you mean is there any stock—yes, sir.

Mr. PICKEL: How much?

Mr. CAULFIELD: That is something I could not tell you very handy.

Mr. PICKEL: Approximately?

Mr. CAULFIELD: Approximately 2,000 shares.

Mr. PICKEL: That is, by the family.

Mr. CAULFIELD: No, that is by myself.

The CHAIRMAN: You partly own the whole 560 common shares?

Mr. CAULFIELD: No sir, I have a brother.

The CHAIRMAN: I don't mean the preferred, but the Caulfield corporation as it existed prior to being taken over?

Mr. CAULFIELD: Yes.

Mr. TUMMON: Has the financial statement for 1932 been filed in a form similar to that which has been filed by other witnesses?

Mr. CAULFIELD recalled.

By Mr. Pickel:

Q. I would just like to ask one more question, Mr. Chairman, if I might be permitted: what does it cost you to manufacture ice cream, what are your manufacturing standards and so forth; and at what price was the milk used in the manufacture of ice cream and these other things paid for?—A. We don't handle ice cream.

Q. That was one of your recommendations here, but you still persist in segregating the price of milk that is used to dilute cream to standard from the whole milk price; why is that necessary?—A. Well, I think if we didn't buy our milk at a reduced price below the street sale price we would have outside cream come in and compete against our cream market.

Q. I know, but you really agree that the milk that you use for the standardization of cream, that you receive certainly a great deal higher profit on that than you do on the milk that you sell from door to door. You have given us some information here with regard to what could be done to regulate the milk situation; do you think that the farmer is getting a living price for the production of milk? You are not a farmer?—A. No.

Q. You do not know anything about the producing end?—A. No.

Q. Perhaps you can't answer that question of your own knowledge, but what do you think—what are the rumours that you hear?—A. Well, my only information is that the producers themselves still send their milk in and offer it below the $1.45 price, and it looks as though there must be a lot of money in it from the producer's end of it.

Q. Do you not think that perhaps if we had intelligent control over the milk situation, if there was a percentage basis established as the producer's price, do you not think that that would do some good to the producer?—A. I think that is where we will have to start before we get any improvement.

Q. Do you not think if the farmer were assured of a fifty-fifty break in the price of milk that the distributors would get after the Boards of Health and the civic authorities and regulate the inflow of milk into cities in their own interest; you know you can do it, the distributors have control of the city situation?—A. Well, we would have to get a very low cost of handling milk to give the farmer fifty-fifty on the consumer's dollar.

Q. Well, he is entitled to it.

By Mr. Bouchard:

Q. There is just one point I would like to make out, if the witness will be kind enough to give us the price of cereal cream. Is this cereal cream recognized as a standardized cream? You said that it was 8 per cent, and in some cases it has been given as 10 per cent. There is a general observation I want to make here, perhaps it would help to solve the problem for both the consumer and the producer. Do you think we can decently call cream a product which has only 8 per cent fat in it. The word cream, if I understand it properly, applied originally to the cream that naturally comes up to the top of a milk pan—what is the average, of what I should call the natural cream in the average milk? You know something about the technique of this fat; what in your opinion would be the average of what we might call old fashioned cream, before separators were invented; would it be 18 or 20 per cent, or something like that?—A. You are speaking now of cream just as it comes on the top of a can.

Q. On the top of any container?—A. I would say that the cream on milk which has been standing 24 hours would test between 22 and 24 per cent.

Q. That is more than I expected. The word cream has been derived from that product, and now you take a cream which is just one-third of the natural product—if we set it at 24 per cent, I think 24 per cent is rather high, and I would be prepared to make it 22 or even 20—you take this product and you dilute it and you still call it cream. This term is very deceiving, I think we should come to some understanding about this product for both the producer and the consumer, and give a proper definition to the word cream. The word cream has been used for centuries and centuries to describe a product of not less than 20 per cent or 18 per cent butterfat, and now you come with an 8 per cent product and you still call it cream but you add the word cereal?—A. No, you are wrong, sir; we don't call anything below 10 per cent fat cream, we call it cereal cream.

Q. But you call it cream?—A. We don't call it cream.

Q. You call it cereal cream, and I think that is a very deceiving feature. Now, if the consumer knew a little more, and I hope after this investigation the consumer will be better educated along these lines—you sell this cream for how much a quart?—A. The 8 per cent that you are speaking of now?

Q. Yes.—A. The retail price of that is $26\frac{2}{3}$.

Q. And the price of 40 per cent cream?—A. 32 per cent is the highest percentage cream we sell in Toronto.

Q. 32 per cent, you have no 28?—A. No, we just have the four grades.

Q. Have you a 24?—A. Yes, 8, 16 and 24.

Q. How much do you sell the 24 for?—A. Eighty cents a quart.

Q. Don't you think that this 24 per cent cream is cheaper than the 80 cent cream?—A. We found that the 8 per cent product found its way into a good many homes that were not buying cream. It increased the demand for fat. That was the reason it was put on the market in the first place.

Q. First of all this cream—and you are not the only one—it has been demonstrated all during this investigation this cream, judging by the butterfat content, is a much more expensive cream than the cream with the higher percentage of butterfat. That is one point. That is, considering the percentage of fat on the top of the bottle?—A. Yes.

Q. The only general point I would like to make—I would like to draw to the attention of the committee this point—that an 8 per cent cream, to my mind, has no right at all to be called cream, because the word cream, as I said, originated from the cream that naturally comes up on the top of the container, and it is twice or three times as much as what you call cereal cream. You might sell any product on any name that you like, but I think that this word "cream" is a respectable word that we should preserve, and I think it would be much more satisfactory for the consumer; because I take it for granted that very few of the consumers are taking the trouble of going into the details when they buy cream. I do not mean that you have deceived them—I do not mean that at all, because you indicate the percentage; but this is not the proper word. Cream is too noble a word, too noble to be applied to this product. After all, if you take a good jersey milk, 6 per cent, it is nearly as good—very close—to your cream. There is a little difference of a little fat. But, would you call it cream? You have 3 quarts of milk and one quart of cream in it. Would you call that cream? This cream is closer to milk than it is to cream.

By Mr. Tummon:

Q. Mr. Caulfield, are you allowed to call 8 per cent cream?—A. No, sir.

Q. Have you not a term that you apply to it?—A. No. We call it cereal treat. We do not use the name "cream" at all.

By Mr. Pickel:

Q. Now, Mr. Caulfield, I would just like to elaborate on this cream business. You paid $1.28 a gallon to the farmer for 40 per cent cream?—A. Yes.

Q. Out of that one gallon of 40 per cent cream you are able to manufacture with your surplus milk 8 gallons of 8 per cent cream?—A. Those are not my figures. I did not submit them.

Q. Let us have your figures?—A. I will have to get them later. I cannot figure it out just now.

Q. File it with the clerk?—A. Yes.

Q. Now, that nets you $1.32, for which you paid $1.28 as the price of the milk.

By Mr. Spotton:

Q. Mr. Chairman, while we have Mr. Thorne here, who always is able and willing to give us detailed information—I am not kidding—I liked his evidence when he told us that it would have gone by with the other witness that there were so many shares at $25 a share. I had it looked up and I found that Mr. Thorne is right; that it is worth $92 a share. However, that is outside the mark. Now, Mr. Caulfield, you know the thought of this committee is to enquire into the spread between the producer and the consumer. Therefore, if undue profits have been made the baby has been charged too much for the bottle, or else the farmer did not get enough or both. Now, let us just get this in short form. You started in business in August 1918.

The CHAIRMAN: 1914.

The WITNESS: 1914.

Mr. SPOTTON: 1914 as Caulfield's Limited.

The CHAIRMAN: S. Caulfield & Sons Limited.

The WITNESS: S. Caulfield & Son Limited.

By Mr. Spotton:

Q. And your capital was 400 shares at $100 per share?—A. Right.

Q. And that was fully paid up?—A. Yes.

Q. There was $40,000 honest dollars put into the business at the inception?—A. Yes.

The CHAIRMAN: By the way, were there any bonds issued or anything of that kind?

Mr. SPOTTON: I think he said not. That was the entire set-up.

The WITNESS: Yes, sir.

By Mr. Spotton:

Q. Now, did you increase the stock issued at any time between then and 1929?—A. No, sir.

Q. So $40,000 was the sum total capital invested in Caulfield & Sons Limited.

The CHAIRMAN: The original investment, yes.

By Mr. Spotton:

Q. There was no further increase of issue of stock?—A. No, sir.

Q. $40,000 is the total capital?—A. Yes.

Q. $40,000 honest dollars put into the Caulfield & Sons Limited started the work. Would you give us the salaries drawn between 1914 and 1929—the major salaries?—A. At that time we were just working on a wage. My father, he was drawing approximately six or seven hundred dollars a month.

Q. That would be $8,400 a year?—A. Yes. My brother—we were getting just a wage of $40 or approximately $40 to $50 a week.

Q. And that obtained to 1929?—A. No. I do not know where we make the break. I know we were making more money. It would be a case—I could get those figures for you.

Q. Perhaps you had not time to get that, but the telegram from the clerk asked for it. I would be glad— —A. I did not get the telegram until Friday night.

Q. I would like to know what the Caulfield family drew out in wages or expense allowances. Was there any other money than this withdrawn from the business and put out in bonds, Victory Bonds or set aside—any profits taken out of the business, or was it all put back into the business to develop it?—A. Yes.

Q. No money ever was withdrawn from the business?—A. No.

Q. You kept on developing the company?—A. Yes.

Q. And no money ever was taken out of the business and set aside as an investment in anything else?—A. Not that I know of, sir.

Q. Well, you might think that over as we go along. Of course, Mr. Chairman, there is nothing else until the day that the Borden's Limited came along looking, as Mr. Thorne says, " for the green fields." That was in 1929; and Mr. Thorne will correct me—the total consideration given by Borden's Limited to Caulfield & Sons Limited was $695,000?

Mr. THORNE: Given by the Borden company of New York.

The CHAIRMAN: That was your parent company?

Mr. THORNE: The parent company.

Mr. SPOTTON: That is, this $40,000 of an investment in 1914, fifteen years later—in fifteen year's time had grown to $695,000 plus reserves, whatever they were at that time. I will not bother you to give them again.

Mr. THORNE: Not plus reserves. That $695,000 included the entire purchase price.

Mr. SPOTTON: Then the $40,000 invested in 1914 grew to $695,000 in 1929?

Mr. THORNE: That was the purchase price.

By Mr. Spotton:

Q. Now, I was not clear on this in regard to the Toronto business. I cannot understand why there would be two Caulfield companies, separate and distinct in a city like Toronto, and when you permitted this other group of financiers or promoters to use the name of Caulfield? You agreed to them using it, of course, or, otherwise, they could not have used it?—A. Yes.

Q. What was your consideration for permitting this other company to use your name?—A. We got a payment on that—

Q. This was before Mr. Thorne, your spiritual advisor, came along?—A. $26,000. That was what we got from E. W. Stronach for the goodwill of the name of this company.

Q. It is a good name, yes.

By the Chairman:

Q. Was that in cash or stock?—A. It was in cash, but it was spread over a period of time.

By Mr. Spotton:

Q. Now, in this new company—I did not catch when Dr. Pickel and Mr. Thorne were talking so confidentially—I did not catch the set-up of this North Toronto company. It was a regular joint stock company?

Mr. THORNE: An incorporated company.

The CHAIRMAN: The set-up was not given.

Mr. SPOTTON: The set-up was not given of this North Toronto company. Would you mind giving us that set-up?

Mr. THORNE: That is at the date of acquisition in 1929?

Mr. SPOTTON: Do you know when the company was organized?

Mr. THORNE: May 22, 1924. There was authorized at that time 3,000 preferred cumulative shares of $100 par value.

The CHAIRMAN: Seven per cent.

Mr. THORNE: Seven per cent. 14,155 of no par value common stock authorized.

Mr. SPOTTON: Common stock.

The CHAIRMAN: Issued?

Mr. THORNE: I have not what was issued at that time because we could not find any books, but I do know as at the date of acquisition there were outstanding 8,155 no par value common shares which were set up on their books at $122,325.

The CHAIRMAN: And the whole 3,000 preferred shares were issued?

Mr. THORNE: 2,066 preferred shares of $100 par or $206,600, making a total capitalization of $328,925.

Mr. SPOTTON: Now, I know you said you were handicapped by the records of the company, and I would judge by the name of the man that the books might not be kept—would you give us your opinion as to the number of dollars that were invested in that North Toronto dairy as you see them?

Mr. THORNE: You mean at the date of acquisition?

Mr. SPOTTON: No; when it started in 1924.

Mr. THORNE: I have not the foggiest notion.

Mr. SPOTTON: You have not the slightest notion?

Mr. THORNE: No.

By Mr. Spotton:

Q. Perhaps the witness has?—A. No, I have not.

Q. Now, Mr. Caulfield, with a great growing concern such as you have and developing as rapidly as your father and your brother and you have done in Toronto, it is none of my business but I am sorry to see clever young Canadian businessmen being gobbled up by any octopus on the other side. However, that is neither here nor there. But at that time Caulfield's had established a reputation in Toronto in the milk business, and do you mean to tell this committee that for $26,000, when you were making money hand over fist, jumping from $40,000 to $695,000 in fifteen years—do you mean to say that for $26,000 you gave a rival company your name that they could peddle milk all over the city of Toronto?—A. No, sir; we had a dividing line.

Q. You had a line I would presume. Where was the division in the city of Toronto?—A. They were in the north end east—Yonge street, the dividing line—the centre line of Yonge street.

Q. Yonge street from the city limits, or as far out as they liked to go?—A. Yes.

Q. Coming down to Yonge street how far?—A. Right down to the lake?

Q. East of Yonge street?—A. Yes, east of Yonge street.

Q. And did you compete with them in that section of the city?—A. No. We kept in our own section and we transferred the business from one to the other.

Q I beg your pardon?—A. We transferred the business from one to the other.

Q. You had a working arrangement?—A. Yes, the customer moved out of our district out into their district, we would transfer that one and vice versa.

Q. And that was the full extent of your working arrangements?—A. Yes.

Q. They had their own plant and pasteurized their own stuff?—A. Yes.

Q. Mr. Thorne, what did you say you gave for this Caulfield's of North Toronto?

Mr. THORNE: $623,942.08.

The CHAIRMAN: How many shares would that be?

Mr. SPOTTON: That added to the $695,000—

Mr. THORNE: —made a total of $1,319,462.08.

Mr. SPOTTON: That was what you paid for Caulfield's of Toronto?

Mr. THORNE: The two companies.

Mr. SPOTTON: For the stock set-up which we have and the other set-up which we have not?

Mr. THORNE: Yes.

By Mr. Spotton:

Q. Mr. Caulfield, you had no stock in this North Toronto company?—A. No, sir.

Q. And that was set-up—this is a good illustration—

The CHAIRMAN: What are you asking there—whether S. Caulfield & Sons Limited owned any stock in that company or whether the Caulfield family own any as private individuals?

Mr. SPOTTON: Did he have any stock?

The WITNESS: We had no stock in the Caulfield dairy of North Toronto.

By the Chairman:

Q. Neither the company nor the family?—A. No. I do not know if any of our family had any or not. I do not know whether there was any private business carried on.

By Mr. Spotton:

Q. You would pretty well know?—A. I have never heard of any of our family owning any stock in that company.

Mr. SPOTTON: Now, Mr. Chairman, this is a matter of the reserves—the reserves now of Caulfield & Sons Limited or whatever it is called, of $381,322.

Mr. THORNE: That was the figure that Mr. Pickel added up. Approximately it is that.

Mr. SPOTTON: And that is in reserve in real money?

Mr. THORNE: Well, I would not say that; it is invested in the business.

Mr. SPOTTON: Mr. Thorne, you promised to give me—and I suppose you have handed it in to the committee—the total reserves of all the Borden companies in Canada.

Mr. THORNE: That is part of my answer to the City Dairy questions. I presume they will be ready this afternoon.

Mr. SPOTTON: I notice that some financial surveys give it as $12,000,000.

Mr. THORNE: It is more than that.

Mr. SPOTTON: I am glad to hear it. So long as you keep it here.

Mr. PICKEL: Don't you let it go away.

Mr. SPOTTON: Now, Mr. Chairman, I think I have nothing else to ask the witness. We will have Mr. Thorne, of course, with us, I presume, on the City Dairy matter, and perhaps someone else.

By Mr. Rowe:

Q. When you set up prices for the coming year in the city of Toronto how do you arrive at the prices that you pay? Do you sit in with the other dairy companies of Toronto?—A. Yes, generally at the call of the Producers' Association why we will meet in one of the company's offices.

Q. What offices? All the companies would be practically represented?—A. No. I would not say all of them. I would say perhaps 50 per cent of them.

Q. The major companies will be represented?—A. Yes, some of them we never see.

Q. Who would represent the producers in that case? How many of the Producers' association would represent the producers on that occasion?—A. Probably five or six.

Q. How many from the dairy companies?—A. I have seen as many as 20 or 25 there.

Q. Probably 25 distributors and 5 or 6 representatives of the producers?—A. Yes, but as a rule if we call a hurried meeting there are generally about 6 distributors and perhaps 3 or 4 of the producers.

Q. In arriving at the price you are going to pay—naturally it is quite evident that you have made good profits, that is your business, the law of supply and demand governs pretty well—therefore, it is quite evident that the distributor almost sets the price he pays and sets the price he sells at. On the other hand, if you have three representatives of the producers and six representatives of the distributors what power—what do you take into consideration—do the producers present to you their capital investment, the salaries they might receive and the general set-up with depreciation and all that might be allowed similar to a company arrangement; is that taken into consideration, or is it taken into consideration merely how cheaply you as distributor can buy from the producers?—A. Well, the producers come and meet us and they get as much as they can for their milk according to the market; and we know how much it is costing us to handle this milk in our own particular cities and we have to buy milk so that we can sell it at a price that will meet competitive business.

Q. Really there are half as many producers present?—A. Very seldom these producers at these meetings have power to act. I think they take that back to their general meeting and we meet the executive again and we meet them before any price is set.

Q. You said some time ago in your evidence that peddlers, as it were, were offering milk for less than you would pay?—A. Peddlers did you say?

Q. Farmers were offering milk in the city for less than you were paying; is that correct?—A. Yes.

Q. Is that milk from inspected stables?—A. Yes.

Q. What arangement have you with the companies? Do you buy any of that milk?—A. We have not any arrangement at all. We tell the producers we are going to pay them $1.45. We do not take in any milk—I can cite one case offhand if you wish, that happened last week of a load of milk that was shut off from our company. It went to one of the other companies and offered 45 cans of milk—asked him if he would take the 45 cans of milk shut off at Caulfield's dairy, and the price was $1 a hundred, and this truck that had the milk on it was operated by the producers themselves. It was the producer's milk and the producer's truck.

By the Chairman:

Q. Do you mean that for one day or regularly?—A. That is just one day I am speaking of. It was brought to our attention.

By Mr. Rowe:

Q. Is that more or less a regular occurrence; that you have producers offering milk for less than you are paying?—A. Yes.

Q. It is quite evident that it is lack of organization among producers in the zone that is contributing milk to these distributors?—A. Right now the small dairy in Toronto can out-buy a large dairy; they can buy milk cheaper than what we can buy it—cheaper than we are buying it, and they are doing it.

Q. There is nothing binding you from buying it at less than $1.45?—A. No.

Q. You are merely kept on your honour to buy at $1.45 by a general understanding between the companies?—A. Right. There is plenty of milk in Toronto that can be bought from anywhere from 90 cents up to $1.25, and that is the milk that is giving us all our trouble.

By the Chairman:

Q. Mr. Caulfield, you outlined certain propositions for bettering conditions of buying and selling in the fluid milk market. Are they practically the same suggestions that were made by Colonel Ruttan when he was here?—A. Yes. Those suggestions were brought before a meeting of the Producers' Association some weeks ago and we all sat in at this meeting. We are all of one mind.

Q. There is a little difference in the wording; but as far as I could understand while you were reading them they were practically the same?—A. Yes.

Q. I am not exactly satisfied as to your surplus account, Mr Thorne, for this reason that the other Borden companies that have been before us—the Ottawa Dairy and the City Dairy of Toronto—have built up much larger reserves in the same time than this company. What is the reason for that? Is this company not in as prosperous condition?

Mr. THORNE: I would say they probably had some bad years; that is all.

The CHAIRMAN: The surplus taken over from S. Caulfield & Sons was $91,000 you said; you did not tell us what was taken over from the other company.

Mr. THORNE: We had not any figures on this. We just acquired the net assets.

The CHAIRMAN: You do not know what the surplus was?

Mr. THORNE: I could not tell you. I could not find any books.

By the Chairman:

Q. Mr. Caulfield, evidently from the statement this company has not been making the profits for the last four or five years that the other two concerns have; is that correct?—A. That is correct.

By Mr. Mullins:

Q. Mr. Caulfield, did you have a meeting of the producers and yourselves last Saturday?—A. Yes. No, we did not last Saturday.

Q. I met a producer last Saturday at the North End Market and he told me that you were figuring on reducing the price of milk and he felt very badly about it. I asked him what say he had in the matter and he said, "none at all." So, you evidently fix the price of the commodity to the producers without much say from them according to him. Is that a fact?—A. Probably he did not know. We just held a meeting to get some information that the producers were working on for us.

Q. Do you deliver milk in Forest Hill village?—A. Yes.

Q. Did you change your equipment?—A. Yes, rubber tires and rubber shoes on the horses.

Q. Pneumatic tires. Did you take that out of the producer or out of your own account?—A. That came out of our own account.

Q. I noticed that change in the equipment, and I wondered if the producer had to pay for it or whether you paid for it?—A. No. It was the company that paid for it.

By Mr. Pickel:

Q. Mr. Caulfield, it is understood that you will file with the chairman the spread on cream?—A. Yes.

Q. Eight, 16, 24 and 32 per cent?—A. Yes. That is per pound of fat?

Q. That is what I want to get. You pay the farmer $1.28 for a gallon of 40 per cent cream?—A. Yes.

Q. By mixing some of your surplus milk with that cream—about eight gallons or seven gallons—you make eight gallons of 8 per cent cream which you sell for $8.32. Let us know how that is made up?—A. All right, sir. It cost you between $2 and $2.50 a gallon, and you sell it for $8.32. Let us have those figures.

The CHAIRMAN: Mr. Thorne, Mr. Spotton was desirous, I think, of finding out the set-up of the City Dairy Company when it was first organized in 1900, and to trace its capital structure through to the time it was acquired by the Borden Company. Have you that information now?

Mr. THORNE: By one o'clock or by three-thirty we will have a copy of the balance sheets from 1904 onwards.

The CHAIRMAN: Mr. Spotton, I want you to listen to this, to see whether you are satisfied or not.

Mr. THORNE: By three-thirty this afternoon we will have a copy of the balance sheet by years of the City Dairy Limited from 1904 to 1921, which is the date that I gave you the other day when we started our examination. We will have a similar statement of their income, profit and loss, and capital structure, which consists of capital stock changes; but I have not any of the executive salaries, if you want those, paid in the intervening years.

Mr. SPOTTON: Well, Mr. Chairman, I think if you left this matter with the sub-committee, carrying out the spirit of the resolution, it would be better. I am not anxious to bring anybody here from Toronto at an expense, if Mr. Thorne can give the information to us himself. But when he mentions this matter of salaries and says he does not know the salaries paid during those years, then I think we shall scarcely be getting the information which I desire. For instance—I had not intended to mention this to-day,—I have in my hand fairly conclusive evidence that in the year 1927 or 1928—and these are things which I want to get correct, if they are not true the country should know they are not true—the late Mr. Northgrave got a salary from the City Dairy of $50,000 and from the Dry Milk Products, $10,000. I have not been able to trace this part down, but it is said that the salary received from the City Dairy farms was $5,000, director's allowances, City Dairy, $2,500, Dry Milk Products, $2,500. Then, he got a bonus of 500 shares of common stock. That is a fact, as I have a statement of the company for that. He got a bonus of 500 shares of common stock which were quoted on the stock market at $230 per share, which would be $115,000, making a total of $185,000 that has been given. This information was given to me by stockholders, and there was quite a dust about it at one of their meetings. This is a statement I had intended to give to-day to Mr. Thorne in private, to get the facts, and because I wish to be fair in this matter. These amounts amount to over half the profits for that particular year, that were handed to the manager. Whether those 500 shares of stock stuck with him or not, of course we do not know; but unless Mr. Thorne can give us the inner workings of this company we shall have to call before us Mr. Moore of the organization, Brown or Colonel Deacon, or A. E. Ames. These men were brokers and were handling

stock, and I should like to have some of the accounts of the stockholders who dealt in those stocks. You know, word has gone out that the City Dairy Company was originally incorporated and instituted by a band of philanthropic gentlemen in the city of Toronto who wanted to give good pure milk to the babies of Toronto. I do not want to press this matter, but I would ask the spirit of the resolution that was carried the other day be implemented by the sub-committee. I think my resolution said that we would close the investigation then. I am sorry, Mr. Thorne, that the drift has been this, that Borden's have been called, I think, too frequently. But that has been the drift You know, we started with companies in Montreal, and then someone said Ottawa, etc. As a matter of fact, Mr. Thorne, you have bought up the leading companies in the Dominion. I have no hesitation in saying that it has not been with the idea of prosecuting Borden's Limited that I asked this; neither is it because of any antipathy I have towards American capital coming into this country. This committee is not concerned with that, although we should like to see the surpluses retained here.

The CHAIRMAN: Mr. Spotton, have you any guarantee that these gentlemen you have named will be able to give that information?

Mr. SPOTTON: Well, they have been with the company all the way through. S. J. Moore has been on the letter-heads all the way back through the years as chairman of the Board of Directors. Mr. Ames and Colonel Deacon have been with them largely from the inception. It was suggested to me in Toronto yesterday that perhaps we should not bring Mr. Moore on account of his age. If there is some man who can give us the information, I am content; but I think that along with Mr. Thorne, we should have some one man who was with the City Dairy through all its development. That was the thought I had in mind the other day.

The CHAIRMAN: Gentlemen, we have only five minutes left. I should like to have some arrangement made towards the drafting of our report. The usual custom we have followed in cases of this kind is to have the sub-committee draft the report. If we are going to leave the drafting of the whole of the report to the whole committee of 60, I am afraid we will never get anything done. Would the committee be agreeable to have a sub-committee draft the report?

Mr. STIRLING: Was it not arranged at the last meeting?

The CHAIRMAN: It was not decided. It was mentioned, but not decided.

Mr. SPOTTON: It was left to you to name the committee.

The CHAIRMAN: I shall do it right away. I was going to suggest the members of the sub-committee, Mr. Tummon, Mr. Loucks, Mr. Bertrand, Mr. Pickel, Mr. Cayley, and add to that the names of Mr. Bowman and Professor Bouchard. Mr. Bowman, I think, should be on that committee because he has taken an active part in adducing evidence in relation to the capital structure of those companies.

Mr. LOUCKS: I think you should be on the committee yourself.

The CHAIRMAN: I shall be there.

Mr. STIRLING: The chairman is a member of that committee, ex officio.

The CHAIRMAN: We shall now adjourn to meet again at the call of the Chair, and this matter will be left to the sub-committee.

Committee adjourned at 12.45, to meet at the call of the Chair.

CAULFIELD'S DAIRY LIMITED

1932

—	Fluid milk (quarts)	Percentage of sales value
Sales	·1003	100·00
Cost of product	·0424	42·27
Production expense	·0076	7·58
Selling and delivery expense	·0426	42·47
Container loss	·0019	1·90
Net profit	·0051	5·08
Income tax	·0007	0·70
Total cost and net profit	·1003	100·00

TABLE NO. 1

Purchase Price, Retail Selling Price and Spread

Month	Purchase price per cwt.		Price per quart		Retail price per quart		Spread per quart	
	1931	1932	1931	1932	1931	1932	1931	1932
	$	$						
January	2 20	1 85	·057	·048	·12	·11	·063	·062
February	2 20	1 45	·057	·037	·12	·10	·063	·063
March	2 20	1 45	·057	·037	·12	·10	·063	·063
April	2 20	1 45	·057	·037	·12	·10	·063	·063
May	1 85	1 45	·048	·037	·11	·10	·062	·063
June	1 85	1 45	·048	·037	·11	·10	·062	·063
July	1 85	1 45	·048	·037	·11	·10	·062	·063
August	1 85	1 45	·048	·037	·11	·10	·062	·063
September	1 85	1 45	·048	·037	·11	·10	·062	·063
October	1 85	1 45	·048	·037	·11	·10	·062	·063
November	1 85	1 45	·048	·037	·11	·10	·062	·063
December	1 85	1 45	·048	·037	·11	·10	·062	·063
Total	23 60	17 80	·612	·555	1·36	1·21	·748	·755
Average	1 96	1 48	·051	·038	·11	·10	·062	·063

NOTE.—Purchase price f.o.b. plant 3·4 milk with four cents a point up or down for premium.
Average—Totals divided by 12.
Average—Spread per quart difference between average selling and purchase price.

CAULFIELD'S DAIRY LIMITED, 45 HOWARD PARK AVENUE, TORONTO, ONTARIO

TABLE No. 2

Actual Purchase Price, Average Sales Value and Actual Spread Exclusive of Farm, Nursery and Jersey

Month	Pounds of milk purchased		Value and premium		Value per quart		Number quarts sold		Value		Value per quart		Spread per quart	
	1931	1952	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932
			$ cts.	$ cts.					$ cts.	$ cts.				
January......	1,783,616	1,765,873	38,581 22	32,088 58	·0558	·0469	665,283	665,196	80,640 63	73,313 23	·1212	·1102	·0654	·0633
February....	1,650,591	1,743,569	35,175 47	26,358 58	·0549	·0390	605,699	644,972	73,329 40	64,084 06	·1211	·0993	·0662	·0603
March.......	1,785,641	1,873,121	37,935 08	28,398 61	·0548	·0391	665,458	698,213	80,506 18	69,560 51	·1210	·0996	·0662	·0605
April.........	1,705,545	1,799,780	36,627 38	26,955 45	·0554	·0386	628,789	672,961	71,687 83	67,294 00	·1140	·0999	·0586	·0613
May.........	1,791,867	1,827,981	32,640 24	27,367 72	·0470	·0386	658,178	673,607	72,871 35	67,142 08	·1107	·0996	·0637	·0610
June.........	1,697,993	1,683,203	30,617 47	24,605 53	·0465	·0377	619,598	632,273	66,406 24	63,430 23	·1072	·1003	·0607	·0626
July.........	1,611,708	1,597,319	29,708 97	23,361 82	·0476	·0377	583,030	578,454	64,051 64	57,091 23	·1099	·1004	·0623	·0627
August.......	1,594,963	1,613,078	29,469 89	24,058 80	·0483	·0387	574,194	580,594	63,107 24	58,119 14	·1099	·1001	·0616	·0614
September...	1,743,809	1,706,133	31,880 42	25,608 21	·0472	·0387	637,433	620,009¾	70,074 03	61,845 73	·1099	·0997	·0627	·0610
October......	1,776,387	1,726,794	32,758 41	26,425 40	·0476	·0395	665,616	636,960	73,699 73	63,380 32	·1107	·0995	·0631	·0600
November ..	1,757,996	1,751,250	33,638 16	27,365 42	·0494	·0403	650,331	612,308	72,004 69	61,958 14	·1107	·1012	·0613	·0609
December...	1,811,224	1,794,865	34,134 61	28,042 47	·0486	·0403	664,883	620,759	73,543 44	58,908 75	·1106	·0949	·0620	·0546
Total......	20,691,340	20,872,966	403,167 32	320,636 59	·6031	·4751	7,618,492	7,636,306¾	861,922 40	766,127 42	1·3569	1·2047	·7538	·7296
Average...	1,724,278	1,739,414	33,597 27	27,719 72	·0503	·0395	634,874	636,359	71,826 87	63,843 95	·1131	·1003	·0628	·0608
					Average per cwt. $1·948	Average per cwt. $1·536								

*For street sales only.

TABLE No. 2A

Spread per Quart "A" Based on Top Retail Price and Normal Purchase Price.
Spread per Quart "B" Based on Actual Price Realized and Actual Cost of Milk.

Month	"A" See Table 1		"B" See Table 2		Difference between "A" and "B"	
	1931	1932	1931	1932	1931	1932
	cents	cents	cents	cents	cents	cents
January	·063	·062	·065	·063	(·002)	(·001)
February	·063	·063	·066	·060	(·003)	·003
March	·063	·063	·066	·061	(·003)	·002
April	·063	·063	·059	·061	·004	·002
May	·062	·063	·064	·061	(·002)	·002
June	·062	·063	·061	·063	·001	·000
July	·062	·063	·062	·063	·000	·000
August	·062	·063	·062	·061	·000	·002
September	·062	·063	·063	·061	(·001	·002
October	·062	·063	·063	·060	(·001)	·003
November	·062	·063	·061	·061	·001	·002
December	·062	·063	·062	·055	·000	·008
Total	·748	·755	·754	·730	(·006)	·025
Average	·0623	·063	·0628	·061	(·0005)	·002

TABLE No. 3

Average Price Paid for All Milk (Excluding Farm)

Month	1931		1932	
	Per cwt.	Per qt.	Per cwt.	Per qt.
	$	cents	$	cents
January	2·15	·056	1·81	·047
February	2·12	·055	1·51	·039
March	2·12	·055	1·51	·039
April	2·14	·055	1·49	·038
May	1·81	·047	1·49	·038
June	1·79	·046	1·46	·038
July	1·83	·047	1·46	·038
August	1·86	·048	1·49	·038
September	1·82	·047	1·49	·038
October	1·83	·047	1·52	·039
November	1·90	·049	1·56	·040
December	1·87	·048	1·56	·040
Total	23·24	·600	18·35	·472
Average	1·9354	·04993	1·5306	·0394

100 pounds equals 38·8 quarts.

TABLE No. 4

Pounds of Milk Purchased 1932 (Excluding Farm)

Month	For street sales	Surplus	Total	Per cent street sales	Surplus	Total
January	1,765,873	115,331	1,881,204	94	6	100
February	1,743,569	107,093	1,850,662	94	6	100
March	1,873,121	111,704	1,984,825	94	6	100
April	1,799,780	103,886	1,903,666	95	5	100
May	1,827,981	104,485	1,932,466	95	5	100
June	1,683,203	109,469	1,782,672	94	6	100
July	1,597,319	96,647	1,693,966	94	6	100
August	1,603,078	98,600	1,701,678	94	6	100
September	1,706,133	100,989	1,807,122	94	6	100
October	1,726,794	99,360	1,826,134	95	5	100
November	1,751,250	93,956	1,845,206	95	5	100
December	1,794,865	96,020	1,890,885	95	5	100
Total	20,872,966	1,237,540	22,100,486	1133	67	1,200
Average	1,739,414	103,127	1,841,707	94·5	5·5	100
		Price per cwt. $1·425				

CAULFIELD'S DAIRY LIMITED

ANALYZED STATEMENT OF NET INCOME

For the years ending December 31, 1931 and 1932

—	Year 1931	Percentage of net sales	Year 1932	Percentage of net sales
	$ cts.		$ cts.	
Gross sales	1,303,359 31	....	1,172,112 13	
Deductions from Sales—				
Discounts and allowances	7,023 14	....	11,769 90	
Net sales	1,296,336 17	100·00	1,160,342 23	100·00
Cost of Sales—				
Cost of Product—				
Milk and milk products (inc. freight and hauling)	555,965 45	42·89	436,252 27	37·60
Purchased butter, eggs and cheese	96,781 63	7·46	93,931 02	8·09
Total cost of products	652,747 08	50·35	530,183 29	45·69
Production Expense—				
Salaries and wages	31,305 45	2·42	24,857 43	2·14
Expenses	10,606 24	0·82	9,908 40	0·85
Materials	27,579 20	2·13	27,156 31	2·34
Depreciation	8,419 11	0·65	7,577 54	0·65
Insurance	1,003 58	0·08	515 42	0·05
Taxes	1,242 05	0·09	1,291 56	0·11
Other property expense	314 36	0·02	....	
Administrative expense (Actual)	14,888 97	1·15	12,934 74	1·12
" " (Transfer)	548 30	0·04	529 22	0·05
Total production expense	95,907 26	7·40	84,770 62	7·31
Selling and Delivery Expense—				
Salaries, wages and commissions	265,833 54	20·51	250,135 53	21·55
Expense	63,566 32	4·90	92,752 31	7·99
Materials	34,441 79	2·66	19,850 77	1·71
Depreciation	24,491 38	1·89	26,442 26	2·28
Insurance	5,614 56	0·43	3,953 72	0·34
Taxes	6,072 66	0·47	7,285 96	0·63
Other property expense	3,495 26	0·27	3,887 32	0·33
Administrative expense (Actual)	14,888 97	1·15	12,934 74	1·12
" " (Transfer)	548 29	0·04	529 22	0·05
Total selling and delivery expense	418,952 77	32·32	417,771 83	36·00
Provision for bad debts	6,458 23	0·50	6,899 48	0·59
Advertising	11,928 29	0·92	10,630 84	0·92
Bottle, box and can losses (including repairs)	21,177 47	1·63	20,305 22	1·75
Total cost of sales	1,207,171 10	93·12	1,070,561 28	92·26
Net profit	89,165 07	6·88	89,780 95	7·74
Income Additions—				
Interest received (Net)	(5,315 20)	(0·41)	(2,319 03)	(0·20)
Profit or loss on materials sold	....	....	....	
Total income additions	(5,315 20)	(0·41)	(2,319 03)	(0·20)
Income Deductions—				
Dominion income	7,235 20	0·56	9,374 89	0·81
Provincial, franchise or corporation taxes	....	....	2,000 79	0·17
Expenses on idle property	(239 53)	(0·02)	941 75	0·08
Unemployment relief contributions	....	....	....	
Foreign exchange	....	....	....	
Total income deductions	6,995 67	0·54	12,317 43	1·06
Net income	76,854 20	5·93	75,144 49	6·48

CAULFIELD'S DAIRY LIMITED

NAMES OF ARTICLES INCLUDED UNDER COST OF SALES ON ANALYZED STATEMENT OF NET INCOME

COST OF PRODUCTS

Purchased Butter, etc., butter, coffee, cheese, fruit extracts, honey, sugar, biscuits, chocolate powder.

MILK AND MILK PRODUCTS

Milk, cream, milk powder (including freight and hauling).

PRODUCTION EXPENSE

Salaries and Wages: Superintendent, plant, office employees, bottle washers, can washers, bottlers and canners, receivers and testers, butter-makers, engineer and fireman, laundry, pasteurizers.

INSURANCE

Fire Insurance.

TAXES

Property Tax, Business Tax.

ADMINISTRATIVE (Actual)

Executive salaries, office salaries, stationery, postage, supplies, etc., telephones, travelling expense, revenue stamps, directors fees, legal fees, auditors fees, gifts and donations, mercantile agency expenses, associations, club dues and subscriptions, insurance, fire and group, workmen's compensation, automobile expenses, depreciation, furniture and fixtures, repairs to furniture and fixtures.

EXPENSE

Washing powder, washing soda, coal, electric power, light, water, ice, group insurance, repairs to buildings, repairs to machinery and equipment, sterilizer, stationery, telephones, workmen's compensation, laundry expenses.

MATERIALS

Ammonia, chloride, coal, overalls, bottle caps, filter cloths, strainer discs, washing powder, neck wires, hood caps, laboratory supplies, brooms, bottle washer brushes, can seals, shipping tags, boiler compound, salt, butter wrappers, butter cartons, rubber boots, shoes and aprons, cheesecloth.

DEPRECIATION

Buildings—Steel and Concrete, 2 per cent.
Machinery and Equipment, 6 per cent.

ADMINISTRATIVE (Transfer)

Portion allotted from Head Office as our share of General Administration.

SELLING AND DELIVERY

Salaries and wages: Branch superintendent, office employees, solicitors, senior and junior foremen, route riders, route salesmen, chauffeurs, shipping clerks, stablemen, harness cleaners, platform and yardmen, egg and butter cartoners, store clerks, janitors.

COMMISSIONS

Route salesmen's selling commission.

SELLING AND DELIVERY

Selling Expenses: Stationery, postage, telephones, telegraph, travelling expense, waste products on routes, outside stable and boarding, outside horse-shoeing, veterinary and medicine, overalls, laundry, group insurance, workmen's compensation insurance, electric light, heat, power, water, repairs to machinery and equipment, repairs to buildings, repairs to harness and wagons.

Automobile Expenses: Gasoline, oil, antifreeze, tires, licences, fire and theft insurance, liability insurance, chassis repairs, painting, mechanics wages, servicemen's wages.

MATERIALS

Salt, hay, oats, straw, bran, linseed meal, horse-shoes, horse-shoe nails, hoofnu, rubber pads leather pads, caulks, harness and leather polish, butter cartons and wrappers, egg cartons, lanterns, drinking straws, wrapping paper, paper cups, drinking glasses, paper bags, rubber boots and shoes.

DEPRECIATION

Buildings—steel and concrete, 2 per cent per annum.
Machinery and equipment, 8 per cent per annum.
Horses, $2 per month or 14·3 per cent a year.
Wagons, 10 per cent per annum.
Harness, 10 per cent per annum.
Passenger cars, 25 per cent per annum.
Trucks, 2½ tons or less, 20 per cent per annum.
Trucks, more than 2½ tons, 12½ per cent per annum.
Trailers, 10 per cent per annum.

INSURANCE

Fire Insurance.

TAXES

Property and business taxes.

RESERVE FOR DOUBTFUL ACCOUNTS

Percentage of sales for year.

PUBLICITY

Newspaper advertising, street car and bus cards, electric signs, program advertising, playing cards, magazines, bottle collars.

ADMINISTRATIVE EXPENSE (Actual)

Executive salaries, office salaries, stationery, postage, supplies, etc., telephones, travelling expense, revenue stamps, directors fees, legal fees, auditors fees, gifts and donations, mercantile agency expenses, dues and subscriptions, associations and clubs, insurance, fire and group, workmen's compensation, automobile expenses, depreciation, furniture and fixtures, repairs to furniture and fixtures.

CONTAINER LOSSES

Bottles, boxes, cases, cans, container repairs, new lids for cans, repairing old cans.

ADMINISTRATIVE EXPENSE (Transfer)

Portion allotted from Head Office as our share of General Administration.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MAY 4, 1933

No. 26

Reference,—Milk and Milk Products

Supplementary Documents Filed by Witnesses J. H. Duplan (see No. 23) and T. H. Thorne (see Nos. 22 and 25), Minutes of Evidence.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

SUBSEQUENT EVIDENCE AS REQUESTED FROM SILVERWOOD'S DAIRIES, LIMITED, BY SPECIAL COMMITTEE AGRICULTURE AND COLONIZATION, HOUSE OF COMMONS, OTTAWA, ONT.

Re *Your Report Requisition:* (See No. 23 Minutes of Evidence.)

Q. Number of shares or value of shares held by producers?—A. Preferred, $1,868,800. Class A 36,770 shares.

Q. The capital structure of Silverwood-Burke Dairy Limited, Hamilton, Ont.—A. The first record we have any knowledge of or in our possession is a Balance Sheet and Profit and Loss Statement, dated February 29, 1928, firm known as Burke Brothers, a private business owned by T. A. Burke. (Copy of this balance sheet is herewith attached.) Charter was obtained for Silverwood-Burke Dairy Limited on March 26, 1928—authorized capital—50,000 shares preferred; 20,000 shares common. The purchase of business know as Burke Brothers, Hamilton, Ont., by Silverwood-Burke Dairy, Limited, Hamilton, Ont., was based on the balance sheet of Burke Brothers, dated February 29, 1928, as above stated. Briefly this balance sheet summarizes as follows:—

Assets:

Current	$ 12,211 52	
Less reserve for bad debts	1,981 90	
Net		$ 10,229 62
Inventories		7,803 65
Total		$ 18,033 27
Deferred charges		$ 2,526 43
Fixed assets, land, buildings and equipment	$ 303,535 68	
Less depreciation	162,285 04	
		$ 141,250 64

Liabilities:

Current	$80,990 57
Mortgage payable	2,000 00
Reserve for adjustment	1,393 37
Equity (or surplus), T. A. Burke	77,426 40

The purchase was set on the books of the new company (Silverwood-Burke Dairy, Limited), as follows:—

Assets:

Current	$ 12,211 52	
Less reserve for bad debts	1,981 90	
Net		$ 10,229 62
Inventories		7,803 65
Total		$ 18,033 27
Deferred charges		$ 2,526 43
Fixed assets, land, buildings and equipment (as appraised)		$ 187,247 87

(Fixed assets in accordance with the appraisal of the Sterling Appraisal Company, Toronto, Ont., as at April 14, 1928.)

The equity in the new company as held by T. A. Burke was as follows:—

Cash and notes	$ 45,000 00
Preferred	75,000 00
Total	$ 120,000 00

Plus the issue of 2,500 common shares.

As to the bond issue under date of May 1, 1928, amount $100,000, on the assets of Silverwood-Burke Dairy, Limited, this bond had no bearing whatsoever on the purchase price from Burke Brothers, it being purely new financing. Further, the figure of $87,500 shown by our record April 1, 1933, and given in our evidence, represents the outstanding of this issue at this date, April 1, 1933.

Subsequently, the transfer of shares of Silverwood-Burke Dairy, Limited, April 5, 1930, outstanding as at this date, $213,900 preferred, and 20,000 shares no par common. These were exchanged for 2,139 shares preferred and 10,000 shares no par Class A shares of Silverwood's Dairies, Limited.

Q. The portion of Class A stock issued as bonus with preference stock?—A. None.

Q. In the matter of Class A issued, 147,765 shares, value $507,245 (as per consolidated balance sheet April 2, 1932).—A. The valuation of 147,765 shares of Class A stock as it appears on the balance sheet of April 2, 1932, $507,245 is represented by the following:—

Sale of 10,000 shares underwritten at $16 per share	$ 160,000
Sale of 15,000 shares underwritten at $21 per share	315,000
Cash surrender value of insurance on life of A. E. Silverwood and in respect to $500,000 life insurance maintained for three years by A. E. Silverwood. This in reference to allotment of 3,625 shares in respect thereto	31,805
Sale of 20 shares fully paid by employees and producers	402
Balance of 119,120 shares representing the shares which were issued in exchange for common shares in subsidiary companies. All shares entering into the exchange being of no par value, these were entered in the books of the company at $1 per entry, totalling	38
Total shares, 147,765	$ 507,245

Q. The names and holders of one thousand shares or more?—

A. Other members of the Silverwood family: Mrs. A. E. Silverwood, E. G. Silverwood (son), Dorothy M. Lawrence (daughter), Albert Edward Lawrence (son-in-law)	12,266	shares
(*b*) Employees and directors	16,464	"
(*c*) Producers, Mr. E. W. Nesbitt, Woodstock	700	"
(*d*) Shareholders other than above:		
Mr. Guy H. Long, Hamilton, Ont.	1,017	"
Estate of C. L. Messecar, Brantford, Ont.	1,066	"

(The above is all Class A stock.)

Vat reports as requested are herewith enclosed. These are self-explanatory.

(Daily Butterfat Vat Tests at Hamilton.)

Sweet cream purchases from Woodstock by our Hamilton plant, 11-month period ending February 28, 1933:—

Pounds sweet cream	19,210
Test—average	3·72
Butterfat pounds	7,142·92
Value	$2,178.59

SILVERWOOD'S DAIRIES LIMITED

J. H. DUPLAN,
General Manager.

BURKE BROTHERS, HAMILTON, ONTARIO

Balance Sheet—February 29, 1928

Assets

Current—			
Cash	$ 751 61		
Accounts receivable	11,459 91		
		$ 12,211 52	
Inventories—			
Raw stock	$ 2,816 64		
Merchandise	3,274 19		
Manufactured product	585 00		
Wrappers and containers	1,127 82		
		7,803 65	
			$ 20,015 17
Fixed—			
Land		$ 7,663 00	
Buildings		51,746 41	
Plant and machinery		94,544 96	
Cabinets (ice and salt)		20,013 33	
Cans		18,779 05	
Tubs and jackets		7,092 73	
Iceless cabinets		54,480 93	
Trucks and autos		35,985 71	
Horses and wagons		6,399 33	
Office furniture		1,643 30	
Sheaffe St. property		5,186 93	
			303,535 68
Deferred Charges—			
Prepaid insurance, office supplies, etc		$ 1,526 43	
Advertising		1,000 00	
			2,526 43
			$ 326,077 28

Liabilities

Bank of Montreal O/D	$ 4,128 28	
Bank of Montreal Loan	21,500 00	
Can. Milk Products Loan	25,900 00	
Accounts payable—Trade	20,615 59	
Bills Payable—		
Kelvinator Co. of Canada	8,846 70	
		$ 80,990 57
Mortgage—		
Sheaffe St. property		2,000 00
Operating Reserves—		
Reserve for bad debts	1,981 91	
Reserve for depreciation	162,285 04	
Reserve for sundry adjustments	1,393 37	
		165,660 31
Surplus—		
T. A. Burke		77,426 40
		$ 326,077 28

CITY DAIRY COMPANY LIMITED, TORONTO, ONTARIO

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
MAY 2, 1933

Questions answered by Col. C. M. Ruttan

Attached Sheet Number	Minutes Page	Minutes Line	Subject
1	772	34	Pounds of sweet cream purchased in 1932.
1	773	12	Selling price of 20 per cent cream in 1932.
1	775	18	Correction.
1	778	7	Number of pounds of powder obtained from 100 pounds of skim milk.

Minutes Page	Minutes Line		Pounds B.F.	Pounds Cream	Average Test
772	34	Pounds sweet cream purchased in 1932			
		Direct shippers	23,498	71,647	32·8
		Woodstock shippers	34,231	107,536	31·8
		Embro (skimming)	97,774	310,349	31·5
		Affiliated companies	1,743,047	4,531,662	38·5
			1,898,550	5,021,194	37·8
773	12	Selling price of 20 per cent cream in 1932 31c. per quart. $1.24 per gallon.			
775	18	They would receive this amount ·0388 less freight charges? Answer should have been: "Yes, in the case of direct shippers, but less also handling and shipping charges from receiving stations and various adjustments as previously mentioned."			
778	7	With regard to number of pounds of powder you get from 100 pounds of skim milk. Answer was: "Roughly 8½ pounds. I am going to give you the exact figure." Our records show that for the month of March we obtained 7·62 pounds of skim milk powder from 100 pounds of milk.			

CITY DAIRY COMPANY LIMITED, TORONTO, ONTARIO

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
MAY 2, 1933

Questions answered by Mr. B. H. Thorne

Attached Sheet Number	Minutes Page	Minutes Line	Subject
1	752	38	Capitalization in June, 1900.
1	753	13	Correction in increase of capital stock.
1	754	5	Correction.
1	755	19	Reason for difference in redeemed common shares and subsequent issue when reorganized.
1	755	35	Correction as to who holds Borden Co. stock.
1	756	24	Correction in name of Company referred to.
1	759	43	Addition of word "issued".
1	760	32	Correction in typographical error.
1 and 2c	764	12	Balance sheet of City Dairy Co., Ltd., January 1, 1930.
2A to 2F inc.	764	42	Transcript of balance sheet, income statement and capital structure by years since 1904.
3	776	33	Canadian Companies' cash, reserves and surplus as at December 31, 1932.

Minutes Page	Minutes Line	
752	38	Capital structure in June, 1900, was:—

Authorized

6,000 shares of common stock	par	$100 00=	$ 600,000 00
3,500 shares of preference stock	"	100 00=	350,000 00
			$ 950,000 00

Issued

6,000 shares of common stock	par	$100 00=	$ 600,000 00
1,773 shares of preference stock	"	100 00=	177,300 00
			$ 777,300 00

Minutes Page	Minutes Line	
753	13	Typographical error—amount should be 16,950.
754	5	Strike out words in line five "and that issue was redeemed".
755	19	There is no relationship of capitalization prior to and after the merger, the 80,850 shares of Borden Co. of New York common stock was issued to common shareholders of City Dairy Limited as consideration for the redemption of their shares. The new issue of 45,000 shares of common stock by City Dairy Co. Ltd. represented the actual value of the net worth of the latter and its subsidiaries, together with a measure of the value of the trade name, goodwill and prior earning capacity of the predecessor company. The old City Dairy Ltd. valued its goodwill at $1.00.
755	35	The stockholders of the old City Dairy who received common stock of The Borden Co. of New York still hold it, or it is still in circulation.
756	24	My answer of $6.25 a share referred to the no par value common stock of the old City Dairy Ltd.
759	43	Answer should have been "out of the authorized and issued capital, yes".
760	32	I stated Goodwill, etc. was written down $1,500,000.00.
764	12	The accompanying balance sheet is of the effective date of acquisition, or January 1, 1930. (See sheet 2c).

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1900	1901	1902	1903	1904	1905	1906
					$ cts.	$ cts.	$ cts.
ASSETS							
Real estate, machinery	......	......	......	......	....	....	†1,069,206 34
Delivery equipment, cabinets and furniture	......	......	......	......	....	....	....
*Reserve for depreciation	......	......	......	......	....	....	....
Net property and plant	......	......	......	......	976,504 01	1,003,945 42	†1,069,206 34
Cash	......	......	......	......	400 00	400 00	518 27
Accounts receivable less reserve	......	......	......	......	17,991 25	16,880 73	21,485 93
Inventory product. supplies	......	......	......	......	6,057 38	9,265 41	11,638 20
Marketable securities	......	......	......	......	1,929 89	....	....
Total	......	......	......	......	1,002,882 53	26,546 14	33,642 40
Investments	......	......	......	......	....	....	....
Insurance reserve	......	......	......	......	....	2,217 50	4,435 00
Prepaid charges	......	......	......	......	....	....	....
Goodwill	......	......	......	......	....	....	38,077 40
Total Assets	......	......	......	......	1,002,882 53	1,032,709 06	1,107,283 47
LIABILITIES							
Accounts payable	......	......	......	......	....	104,930 12	81,861 86
Accrued taxes and pay roll	......	......	......	......	....	....	....
Bankers' advances	......	......	......	......	....	....	....
Total Liabilities	......	......	......	......	164,821 77	104,930 12	....
Deferred Liabilities	......	......	......	......	....	53,600 00	53,600 00
Dividends	......	......	......	......	....	4,679 31	5,972 94
					164,821 77	163,209 43	141,434 80
Capital stock preferred	......	......	......	......	....	271,620 00	346,350 00
common	......	......	......	......	....	565,000 00	565,000 00
Total	......	......	......	......	815,060 00	836,620 00	911,350 00
Reserve	......	......	......	......	....	7,500 00	30,000 00
Surplus	......	......	......	......	23,000 76	25,379 63	24,498 94
Total capital, reserve and surplus	......	......	......	......	837,060 76	859,499 63	965,848 94
Total Liabilities, capital and surplus	......	......	......	......	1,002,882 53	1,032,709 06	1,107,283 74

†Goodwill included with property and plant.
*Where no depreciation is shown, it is either netted in property and Plant values or included with reserves at foot of Statement.

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CITY DAIRY COMPANY LIMITED BALANCE SHEET

—	1907	1908	1909	1910	1911
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Assets					
Real estate, machinery, delivery equipment, cabinets and furniture	284,617 93	289,315 17	312,221 46	454,830 72	500,502 17
*Reserve for depreciation	....	....	....	....	....
Net property and plant	284,617 93	289,315 17	312,221 46	454,830 72	500,502 17
Cash	400 00	400 00	10,926 43	400 00	400 00
Accounts receivable less reserve	15,305 34	11,102 13	13,796 40	15,848 86	34,427 52
Inventory prod—supplies	15,820 80	17,905 72	25,208 82	28,350 85	32,089 62
Marketable securities	....	....	....	....	....
Total	31,526 14	29,407 85	49,931 65	44,599 71	66,917 14
Investments	8,800 00	10,800 00	14,200 00	14,200 00	204,904 56
Insurance reserve	6,652 50	8,870 00	11,087 50	13,305 00	15,522 50
Prepaid charges	....	833 88	899 67	988 44	1,944 21
Goodwill	781,174 38	781,174 38	781,134 38	781,134 38	731,134 38
Total assets	1,112,770 95	1,120,401 28	1,169,474 66	1,309,058 25	1,520,924 96
Liabilities					
Accounts payable	47,457 57	51,250 68	68,656 92	104,623 61	109,209 21
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	43,477 12	34,915 25	....	50,486 40	32,754 34
Total liabilities	90,934 69	86,165 93	68,656 92	155,110 01	141,963 55
Deferred liabilities	53,600 00	54,936 00	54,936 00	54,936 00	59,958 91
Dividends	....	....	....	....	....
Total	144,534 69	141,101 93	123,592 92	210,046 01	201,922 46
Capital stock preferred	349,600 00	349,600 00	408,910 00	449,840 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	914,600 00	914,600 00	973,910 00	1,014,840 00	1,265,000 00
Reserve	20,000 00	20,000 00	20,000 00	30,000 00	20,000 00
Surplus	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50
Total capital reserve and surplus	968,236 26	979,299 35	1,045,881 74	1,099,012 24	1,319,002 50
Total liabilities, capital and surplus	1,112,770 95	1,120,401 28	1,169,474 66	1,309,058 25	1,520,924 96

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1912	1913	1914	1915	1916
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	579,470 91	684,080 70	674,003 36	719,954 25	743,571 10
*Reserve for depreciation	20,000 00	44,000 00	....	12,000 00	36,000 00
Net property and plant	559,470 91	640,080 70	674,003 36	707,954 25	707,571 10
Cash	400 00	36,521 80	36,116 69	29,201 44	7,949 96
Accounts receivable less reserve	61,439 79	83,463 32	47,272 36	72,314 07	105,869 67
Inventory prod—supplies	40,029 99	46,070 01	47,561 92	45,334 80	65,710 36
Marketable securities	....	....	....	....	....
Total	101,869 78	166,055 13	130,950 97	146,850 31	179,529 99
Investments	211,237 89	254,904 56	294,984 56	294,984 56	294,184 56
Insurance reserve	17,740 00	19,957 50	22,175 00	24,392 50	26,610 00
Prepaid charges	2,341 19	2,634 23	4,111 65	2,222 35	2,253 05
Goodwill	731,138 38	448,634 38	448,634 38	448,634 38	448,634 38
Total assets	1,623,794 15	1,532,266 50	1,574,859 92	1,625,038 35	1,658,783 08
LIABILITIES					
Accounts payable	119,424 94	123,046 96	136,250 31	140,033 19	151,954 12
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	101,502 65	....	....	35,000 00	100,000 00
Total liabilities	220,927 59	123,046 96	136,250 31	175,033 19	251,954 12
Deferred liabilities	60,027 66	59,958 79	65,918 75	65,918 63	65,981 07
Dividends	....	....	....	....	....
Total	280,955 25	183,005 75	202,169 06	240,951 82	317,935 19
Capital stock preferred	700,000 00	700,000 00	700,000 00	700,000 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Reserve	20,000 00	20,000 00	24,900 00	28,814 72	26,887 94
Surplus	57,838 90	64,260 75	82,790 86	90,271 81	48,959 95
Total capital reserve and surplus	1,342,838 90	1,349,260 75	1,372,690 86	1,384,086 53	1,340,847 89
Total liabilities, capital and surplus	1,623,794 15	1,532,266 50	1,574,859 92	1,625,038 35	1,658,783 08

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1917	1918	1919	1920	1921
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	747,800 60	885,729 35	1,045,343 33	1,039,142 07	1,138.098 36
*Reserve for depreciation	60,000 00	....	....	....	98,136 00
Net property and plant	687,800 60	885,729 35	1,045,343 33	1,039,142 07	1,039,962 36
Cash	4,046 01	735 00	1,410 00	1,450 00	42,387 47
Accounts receivable less reserve	190,115 19	88,708 73	95,364 48	162,556 89	182,623 49
Inventory prod—supplies	69,886 37	85,579 58	64,217 55	74,599 51	62,088 51
Marketable securities	....	....	....	....	....
Total	264,047 57	175,023 31	160,992 03	238,606 40	287,099 47
Investments	294,184 56	194,375 96	209,060 55	300,747 61	260,225 22
Insurance reserve	28,827 50	32,855 50	33,262 50	35,480 00	37,697 50
Prepaid charges	2,358 28	3,338 16	3,962 67	3,707 12	7,056 45
Goodwill	448,634 38	448,634 38	448,634 38	448,634 38	448,634 38
Total assets	1,725,852 89	1,739,956 66	1,901,255 46	2,066,317 58	2,080,675 38
LIABILITIES					
Accounts payable	153,572 37	223,346 80	299,635 25	323,086 31	371,573 14
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	120,000 00	24,737 63	19,358 12	118,948 34	....
Total liabilities	273,572 37	248,084 43	318,993 37	442,034 65	371,573 14
Deferred liabilities	61,100 00	55,114 83	55,114 83	55,114 83	55,366 50
Dividends	....	12,250 00	12,250 00	35,000 00	39,087 50
Total	334,672 37	315,449 26	386,358 20	532,149 48	466,027 14
Capital tsock preferred	700,000 00	700,000 00	700,000 00	700,000 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Reserve	41,945 74	....	24,000 00	48,000 00	48,000 00
Surplus	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24
Total capital reserve and surplus	1,391,180 52	1,424,507 40	1,514,897 26	1,534,168 10	1,614,648 24
Total liabilities, capital and surplus	1,725,852 89	1,739,956 66	1,901,255 46	2,066,317 58	2,080,675 38

*Where no depreciation is shown, it is either netted in Property and Plant values or included with reserves at foot of Statement.

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1922	1923	1924	1925	1926
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Assets					
Real estate, machinery, delivery equipment, cabinets and furniture	1,319,242 12	1,475,908 74	1,566,162 65	1,443,526 25	1,475,027 19
Reserve for depreciation	240,098 74	385,481 45	524,164 03	590,572 92	702,272 79
Net property and plant	1,079,143 38	1,090,427 29	1,041,998 62	852,953 33	772,754 40
Cash	28,362 84	53,232 47	74,789 18	85,682 94	137,370 97
Accounts receivable less reserve	83,144 02	91,791 16	96,501 14	88,649 86	92,266 69
Inventory prod. supplies	59,476 59	62,420 18	65,666 48	58,405 72	71,991 66
Marketable securities	203,875 28	352,958 95	504,630 13	696,253 18	792,454 37
Total	374,858 73	560,402 76	741,586 93	928,991 70	1,094,083 69
Investments	223,510 70	232,010 70	239,510 70	349,510 70	358,510 70
Insurance reserve	39,915 00	42,132 50	21,645 00	6,807 50	6,807 50
Prepaid charges	992 05	919 82	138 14	2,607 21	6,497 16
Goodwill	448,634 38	1 00	1 00	1 00	1 00
Total Assets	2,167,054 24	1,925,894 07	2,044,880 39	2,140,871 44	2,238,654 45
Liabilities					
Accounts payable					
Accrued taxes and payroll	330,007 52	261,024 94	354,912 19	343,477 12	279,667 89
Bankers' advances					
Total Liabilities	330,007 52	361,024 94	354,912 19	343,477 12	279,667 89
Deferred liabilities		75,594 28	54,532 61	4,413 40	4,315 35
Dividends	75,594 32	26,961 50	29,814 00	29,829 00	52,429 00
Total	26,886 25				
Capital stock Preferred		463,580 72	439,258 80	377,719 52	336,412 24
Common	432,468 09	700,000 00	700,000 00	700,000 00	700,000 00
Total	700,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Reserve	565,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Insurance	1,265,000 00	48,000 00	48,000 00	48,000 00	48,000 00
Surplus	48,000 00				
	421,586 15	149,313 35	292,621 59	450,151 92	589,242 21
Total capital reserve and surplus	1,734,586 15	1,462,313 35	1,605,621 59	1,763,151 92	1,902,242 21
Total liabilities capital and surplus	2,167,054 24	1,925,894 07	2,044,880 39	2,140,871 44	2,238,654 45

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1927	1928	1929	1930	1931
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	1,489,737 36	1,520,510 80	1,714,257 42	1,867,717 23	2,077,378 39
Reserve for depreciation	733,650 91	782,848 61	865,264 01	822,977 32	832,450 37
Net property and plant	756,086 45	737,662 19	848,993 41	1,044,739 91	1,244,928 02
Cash	194,430 97	136,316 39	37,612 56	40,198 62	98,551 02
Accounts receivable, less reserve	95,955 50	119,864 12	183,965 66	1,181,954 30	1,415,529 92
Inventory prod. supplies	66,879 61	93,065 84	94,234 52	50,147 38	51,827 69
Marketable securities	891,252 49	994,270 78	994,593 28	305,055 00	304,555 00
Total	1,248,518 57	1,343,517 13	1,310,406 02	1,577,355 30	1,870,463 63
Investments	458,095 20	497,925 74	572,810 70	600,000 00	....
Insurance reserve	....	13,887 50	18,446 00	....	....
Prepaid charges	6,362 56	8,381 19	7,839 61	9,753 26	8,019 98
Goodwill	1 00	1 00	1 00	2,162,702 52	2,182,331 19
Total Assets	2,469,063 78	2,601,374 75	2,758,496 74	5,394,550 99	5,305,742 82
LIABILITIES					
Accounts payable	....	....	....	....	....
Accrued taxes and payroll	313,929 36	350,526 18	378,520 16	223,297 74	362,753 22
Bankers' advances	....	....	....	40,436 44	68,861 62
Total Liabilities	313,929 36	350,526 18	378,520 16	263,734 18	431,614 84
Deferred liabilities	4,224 30	....	....	100,000 00	100,000 00
Dividends	53,290 50	59,065 50	59,065 50	....	....
Total	....	....	....	....	....
Capital stock Preferred	371,444 16	409,591 68	437,585 66	363,734 18	531,614 84
Common	700,000 00	700,000 00	700,000 00	....	....
Total	577,500 00	577,500 00	577,500 00	4,500,000 00	3,900,000 00
Reserve	1,277,500 00	1,277,500 00	1,277,500 00	4,500 000 00	3,900,000 00
Insurance	48,000 00	48,000 00	48,000 00	....	....
					(161 25)
Surplus	772,119 62	866,283 07	995,411 08	530,816 81	874,289 23
Total capital reserve and surplus	2,097,619 62	2,191,783 07	2,320,911 08	5,030,816 81	4,774,127 98
Total liabilities capital and surplus	2,469,063 78	2,601,374 75	2,758,496 74	5,394,550 99	5,305,742 82

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CITY DAIRY COMPANY LIMITED, PROFIT AND LOSS

	1900	1901	1902	1903	1904	1905	1906
				$ cts.	$ cts.	$ cts.	$ cts.
Balance Forward	......	......	......	....	4,349 52	23,000 76	25,379 63
Profit for Year	......	......	......	....	18,651 24	30,114 74	34,386 92
Proceeds sale of Common Stock Surrendered to Co.	......	......	......	....	....	....	10,920 00
Income from Investments	......	......	......	....	....	....	....
Depreciation Reserve Overwritten	......	......	......	....	....	....	....
Total	......	......	......	....	23,000 76	53,115 50	70,686 55
Dividends—Preferred	......	......	......	....	....	18,046 01	20,652 61
Common	......	......	......	....	....	....	....
Written from farm Investment	......	......	......	....	....	....	....
War Reserve Fund	......	......	......	....	....	....	....
Loss sale on Boulton property	......	......	......	....	....	....	....
Depreciation	......	......	......	....	....	2,189 86	10,000 00
Transfer Reserve	......	......	......	....	....	7,500 00	12,500 00
Underwriters Commission written off	......	......	......	....	....	....	3,035 00
Can. Condensed Milk Co's Acct. written off	......	......	......	....	....	....	....
Transfer reduction Organization Acct	......	......	......	....	....	....	....
Balance	......	......	......	4,349 52	23,000 76	25,379 63	24,498 94
Total	......	......	......	4,349 52	23,000 76	53,115 50	70,686 55

Accumulative dividends on preferred stock prior to Jan. 1, 1905, were cancelled as of Dec. 31, 1904.

Page 764—Line 42

CITY DAIRY COMPANY LIMITED

PROFIT AND LOSS

—	1907	1908	1909	1910	1911	1912	1913	1914
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Balance forward	24,498 94	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50	57,838 90	64,260 75
Profit for year	40,787 37	45,689 63	52,154 47	59,408 70	95,491 34	91,969 73	93,650 04	100,702 52
Proceeds sale of common stock surrendered to Co.								
Income from investments					4,166 66	12,166 67	21,000 00	22,500 00
Depreciation reserve overwritten								5,752 59
Total	65,286 31	79,325 89	96,853 82	111,380 44	153,830 24	138,138 90	172,488 94	193,215 86
Dividends—Preferred	24,443 12	24,465 00	24,956 92	30,695 20	35,779 24	49,000 00	49,000 00	49,000 00
Common			11,298 00	11,300 00	11,300 00	11,300 00	35,228 19	45,175 00
Written from farm investment								6,250 00
War reserve fund								10,000 00
Loss sale on Boulton property				213 00				
Depreciation	7,206 93	6,162 15	8,627 16		18,998 50	20,000 00	24,000 00	
Transfer reserve				10,000 00				
Underwriters commission written off				5,000 00	3,750 00			
Canadian Condensed Milk Co's account written off		3,999 39						
Transfer reduction organization account					50,000 00			
Balance	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50	57,838 90	64,260 75	82,790 86
Total	65,286 31	79,325 89	96,853 82	111,380 44	153,830 24	138,138 90	172,488 94	193,215 86

—	1915	1916	1917	1918	1919	1920	1921	1922
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Balance forward	82,790 86	90,271 81	48,959 95	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24
Profit for year	79,146 95	6,768 14	70,274 83	112,022 62	115,389 86	117,770 84	163,778 64	200,746 53
Proceeds sale of common stock surrendered to Co								
Income from investments	22,500 00	11,250 00					22,201 50	24,691 38
Depreciation reserve overwritten								
Total	184,437 81	108,289 95	119,234 78	196,257 40	274,897 26	343,668 10	407,148 24	527,086 15
Dividends—Preferred	49,000 00	36,750 00		36,750 00	49,000 00	122,500 00	49,000 00	49,000 00
Common	45,166 00	22,580 00					56,500 00	56,500 00
Written from farm investment								
War reserve fund								
Loss sale on Boulton property								
Depreciation								
Transfer reserve			35,000 00					
Underwriters commission written off								
Canadian Condensed Milk Co's account written off								
Transfer reduction organization account								
Balance	90,271 81	48,959 95	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24	421,586 15
Total	184,437 81	108,289 95	119,234 78	196,257 40	274,897 26	343,668 10	407,148 24	527,086 15

CITY DAIRY COMPANY LIMITED

Profit and Loss

—	1923	1924	1925	1926	1927	1928	1929	1930	1931
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Balance forward	421,586 15	149,313 35	292,621 59	450,151 92	589,242 21	772,119 62	866,283 07	....	530,816 81
Profit for year	225,477 06	248,456 44	204,445 50	170,533 21	234,032 15	227,258 95	263,406 27	274,021 31	263,245 65
Income from investments	56,383 52	37,205 93	69,884 83	107,957 08	89,870 26	100,704 50	99,521 74	....	....
Gain on securities sold	....	....	....	....	....	....	....	25,241 50	....
Proceeds life insurance	....	....	....	....	....	....	....	231,554 00	....
Total	703,446 73	434,975 72	566,951 92	728,642 21	913,144 62	1,100,083 07	1,229,211 08	530,816 81	794,062 46
Dividends—Preferred	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00	....	....
Common	56,500 00	64,975 00	67,800 00	90,400 00	92,025 00	184,800 00	184,800 00	....	....
Loss disposal of property	....	....	....	....	....	....	....	....	21,150 91
Expense *re* idle property	....	....	....	....	....	....	....	....	(1,377 68)
Depreciation	....	28,379 13	....	....	....	....	....	....	....
Transfer reduction organization account	448,633 38	....	....	....	....	....	....	....	....
Balance	149,313 35	292,621 59	450,151 92	589,242 21	772,119 62	866,283 07	995,411 08	530,816 81	774,289 23
Total	703,446 73	434,975 72	566,951 92	728,642 21	913,144 62	1,100,083 07	1,229,211 08	530,816 81	794,062 46

CITY DAIRY COMPANY LIMITED

Minutes: Page 764—Line 42

CAPITAL STRUCTURE BY YEARS SINCE 1900

—	Authorized		Issued						Total Outstanding		Consideration
			Common			Preferred					
	Shares	Par	Shares	Par	Par Value	Shares	Par	Par Value	Shares	Value	
	No.	$	$ cts.	$	$ cts.	No.	$	$ cts.	No.	$ cts.	
June, 1900........	3,500 Pref.	100	6,000	100	600,000 00	1,773	100	177,300 00	7,773	777,300 00	Assets acquired.
	6,000 Com.	100	....	......	....						*Cancellation of Directors' shares.
March, 1905.......	(350) Com.	100	(350)	100	*(35,000 00)	....	......	....	7,423	742,300 00	Increases made in order to obtain from time to time additional working capital for the company, or for the acquisition of physical assets.
						1,727	100	172,700 00	9,150	915,000 00	
Oct., 1909.........	3,500 Pref.	100	....	......	....	3,500	100	350,000 00	12,650	1,265,000 00	
March, 1913.......	2,825 Com.	100	2,825	100	282,500 00	....	......	....	15,475	1,547,500 00	To wipe out part of Goodwill account in the Company and to obtain by the sale of Common stock to the value of $282,500 further working capital without changing in the result the issued common stock to the Company.
	(2,825) Com.	100	(2,825)	100	(282,500 00)	....	......	....	12,650	1,265,000 00	
Feb., 1916.........	3,000 Pref.	100									
	4,350 Com.	100									
	10,000 Pref.	100	5,650	100	565,000 00	7,000	100	700,000 00	12,650	1,265,000 00	
	10,000 Com.	100									

CITY DAIRY COMPANY LIMITED

Minutes: Page 776—Line 33

Subject: (Borden's Ltd.) Canadian Companies' Cash, Reserves and Surplus as at December 31, 1932

Total cash per B 20-1-6	$	2,243,556 57
Reserve for bad debts		113,431 89
" depreciation		5,606,752 89
" public liability		35,481 63
" fire insurance		150,804 58
" prior period income tax		12,191 27
Total	$	5,918,662 26
*Invested surplus	$	3,259,537 94
Earned surplus		7,144,526 07
Total	$	10,404,064 01
All total	$	18,566,282 84

*Not subject to call for dividend purposes.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MAY 9, 1933

No. 27

Reference,—Milk and Milk Products

WITNESSES:

F. E. Brown, Director and Solicitor, City Dairy Co., Ltd.

B. H. Thorne, Regional Accountant, Borden's Ltd.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

TUESDAY, May 9, 1933.

The meeting came to order at 3.30 p.m., Mr. Bowen in the absence of the chairman, presiding.

Members present: Messrs. Blair, Bowen, Carmichael, Gobeil, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Shaver, Simpson, Spotton, Swanson, Taylor, Thompson, Tummon, Wilson.

Shortly after the meeting opened an adjournment was taken at the call of the division bell; the meeting reconvened twenty minutes later.

The clerk read a letter from witness B. H. Thorne submitting a statement of fees and salaries paid the executive and directors of City Dairy Company Limited and Drimilk Company Limited from 1922 to 1933, inclusive. This statement was ordered printed on the record.

F. Erichson Brown, a former director and solicitor of City Dairy Company Limited was called, sworn, examined and retired.

B. H. Thorne a former witness on several occasions was recalled, examined and retired.

The meeting adjourned at the call of the chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

April 9, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Bowen acting chairman.

The Acting Chairman: Gentlemen, Mr. Senn was called away this afternoon and asked me to preside at this meeting. Before we call the witness, the clerk has a letter he wishes to read.

(Letter read by clerk):

May 5, 1933.

The Select Standing Committee on
Agriculture and Colonization,
House of Commons,
Ottawa.

Attention Mr. M. C. Senn, Chairman.

Gentlemen:

I attach hereto a statement drawn from the records of the City Dairy Company, Limited, and the Drimilk Company, Limited, from 1922 to 1932 covering executives' salaries and fees paid to their directors.

You will notice from the attached statement that no salaries or fees were paid to any of the designated persons for the account of City Dairy Farms, Limited.

I regret that I have not been able to find the pay roll records for these companies prior to 1922 and for that reason am only able to submit data from that time on.

I believe this will conclude the additional evidence which your committee requested me to submit in connection with the foregoing companies.

B. H. Thorne,
Regional Accountant.

The Acting Chairman: We have as our witness this afternoon Mr. Erichson Brown of Toronto.

Frank Erichson Brown, called and sworn.

By the Acting Chairman:

Q. Mr. Brown, would you give your full name and your position to the committee?—A. Frank Erichson Brown, and I am a lawyer. I appear as a former director of the City Dairy Company Limited from about 1920 until 1930. I was solicitor for the City Dairy Company Limited—that is the old company before it was taken over by the Borden's Company—from sometime prior to 1920, I think about 1917, until 1930.

Q. Have you a statement, Mr. Brown?—A. Well, Mr. Chairman, I got a telegram asking for information as to the financial and stock transactions of the companies prior to the acquisition by Borden's, and I have had some opportunity of going over the proceedings of the committee, and I have tried to ascertain as well as I could what the committee wanted, and I have spent, myself,

with the documents, and with certain others a good deal of time in trying to familiarize myself with the whole matter, so I think I can answer anything prior to that time that can reasonably arise from this as shown by the proceedings. Now, the first thing that struck me was that the committee wanted some informa-ion as to the capital structure of the original company—that is prior to—I think the date that the records began was about 1921—and possibly if I touch on that first that might answer some of the questions that have come up. The company was incorporated by letters patent under the Ontario Companies Act in June of 1900 with an authorized capital of $950,000 divided into 600,000 shares of common stock and 3,500 shares of common stock carrying at 7 per cent dividend.

By Mr. Pickel:

Q. What was the capitalization again?—A. $950,000 was the original capital of the company in 1900.

By Mr. Spotton:

Q. That is the authorized capital?—A. The authorized capital.

Q. What was the paid up capital?—A. Now, the paid up capital, 600,000 of the preferred was issued at the time—of common was issued at the time the company was issued and then certain parcels of preference stock were sold or transferred for other dairies which were brought together and constituted the business as originally started by the company. The statement which I think has been filed with you shows the issued stock—the preference issued in the beginning was $177,300, and I might say that up until or by 1911 the full issue of 3,500 shares of preference had been made. That was sold from time to time with a bonus of 1 share of common with each share of preference until the total issue of 350,000 had been made. Then coming down to 1905—

Q. Pardon me, Mr. Brown. Right from the start was there a bonus of 1 share of common given to every person who purchased 1 share of preferred?—A. Yes. That is as I understand it from the prospectus.

Q. Right from the start?—A. Yes, right from the start. The prospectus was issued—I think I had better file a copy of the prospectus with the committee. I have not got a copy of the prospectus, but this is a photostatic copy taken from the Toronto Globe of June 12, 1900. If I leave that with the committee probably it will answer some of these questions. Of course, this was before my time.

In this connection, I might just read a paragraph from the prospectus, starting with the first page.

> There are at present something over 300 milk dealers in Toronto, delivering an average of about 5 cans a day each, requiring about 750 wagons for the purpose, whereas less than one-fourth the number of wagons would accomplish the delivery under a proper system.
>
> The milk, for the most part, is delivered from the cans by dipping it into various utensils in the streets. Where the bottle system is used, the bottles are filled in the rooms of stores and private homes not at all suited for the purpose, and sometimes in the wagons on the streets.
>
> The bottles are not always properly cleansed, as there are only two or three dealers in the city having sterilizing apparatus.
>
> No article of food is more susceptible to injury from its surroundings than milk, and none so quickly absorb and develops bacteria on exposure, and instead of milk being left to careless handling, of all commodities, its distribution should be attended with the greatest care.

The prospectus goes on to set out what the objective of the company was, to have a proper sterilizing plant, and so on. There was offered to the public 7 per cent preferred stock (cumulative) with a bonus.

By Mr. Spotton:

Q. In 1900 that was, and was all that stock issued?—A. This is all that has been issued—no, the preference stock had all been issued, $350,000, the common stock had not all been issued.

Q. A proportion of the common stock had been issued?—A. $565,000 out of $600,000 shares. Then in 1905—I want to explain a rather odd thing, and that is that in the capital set-up, the shares appear at $265,000, and I'd just like to digress a moment, because that may be important—in 1905 there was $35,000 of common stock that had been issued and paid for in the hands of the National Trust Company, and it was not needed for preferred stock, the preferred stock was all out, so the company applied for supplementary letters patent issued on the 21st April, 1905, and $35,000 of common stock was cancelled. That left $565,000. Now, that is important if you are going to understand how this structure is made up, because that left $565,000 of common and $350,000 of preferred outstanding.

By Mr. Tummon:

Q. Mr. Brown, just for a moment, if you don't mind me asking, I thought the original stock you said was 6,000 shares of common and 3,500 preferred.—A. That is right, that amount of $350,000 of preferred which I have referred to, and $600,000.

Q. How do you get your 600,000? How do you get 6,000 common in addition to this stock you have mentioned?—A. That is my error, I meant 6,000 shares or $600,000 capital. Now, you take off $35,000 capital from $600,000 capital and you get $565,000 capital—it was my error.

Q. It was dollars instead of shares.—A. Yes, it should have been dollars; it left $565,000 issued common stock. Well then, on the 23rd October—

Mr. SPOTTON: Just there Mr. Brown—you will pardon us, the solicitors of this committee are unable to be with us, and you will have every sympathy with us laymen—in the $565,000 of common stock issued, how much was given as a bonus for which no money came into the treasury, and how much was sold? —A. There is no way I can tell you that exactly, but I will try.

Q. We want to get the number of honest-to-God dollars that went into that business to work.—A. That is what I am going to give the committee in the most honest-to-God fashion I can.

Q. Yes.—A. Let me say this, it is very hard to tell from the records back that distance what the exact set-up was. I have before me a list showing the subscribers for $105,000 and I think I could give you all the information that is available if I read an extract from a copy of a by-law which was passed at that time, which shows that an agreement was made with J. F. McLaughlin which I will read:—

> Whereas under the agreement of the company with J. F. McLaughlin 1,000 shares of preference stock require to be retained with the company under the above, as in said agreement is set out, and it is in the interests of the company also to retain 727 shares for the purposes of subscription by milk dealers and others whose co-operation it is desirable for the company to obtain, and there remains therefore for issue and allotment at present only 1,773 shares of preference stock.

Now, that is a recital, then it goes on to say that they have 1,053 shares subscribed which is 950 more than they had available; and it is clear from this resolution that the whole preference issue was paid up—that is, preference.

Now, Mr. Spotton has asked for information with respect to that and all I can say is that the common stock so far as I can tell was issued along with the preference stock share for share. Now, that accounts for a good block of the common stock. The rest of the common stock was very likely issued, as far

as I can tell, for certain assets that were taken in. Now, I don't want to be quoted on that; I don't want to mislead the committee—but as near as I can tell there were a large number of units—dairies that came in at the beginning under the agreement; I imagine that they were brought in under this and then they were sold to the company in order to get shares paid up. So I think you would have the right to assume that most of the common stock was bonus stock.

By Mr. Tummon:

Q. What you mean by dairies is distributing plants?—A. Yes, small units, in order to get the goodwill; the original idea was to have them brought in, a lot of these units, so that they would get the business immediately.

Q. To establish a business connection?—A. The business connection. Now, they found out that did not work, and as I am going to show you in a minute they then decided they had to do it by education; in other words, they had to spend money, and during the first five years they were losing something like $60,000 a year until they got—as I will show in a moment—into a very bad way financially—because this plan that they had of getting business started by getting a lot of small units didn't work. Now, I can understand that—I can understand that if you are dealing with a small dealer and some other organization comes along you are very apt to prefer to continue taking your milk from the smaller dealer rather than the big organization, that is one of the vicissitudes that the company ran into at the beginning. Now, let us assume for the sake of argument—I can't give you any better information than I am giving—but assume for the sake of argument the common stock was used share for share to cover the transfer then the bulk of it was for "taken over" assets. Now then, if you do that you will find that that will account for the $565,000.

Q. That is, you are taking for granted that that is the case?—A. I am taking for granted that $350,000 of common went along with what was issued.

Q. That would be $215,000?—A. I am not saying that.

Q. That is a reasonable thing to assume?—A. I imagine that would be a reasonable thing to assume. I don't want to confuse the committee, I am telling you what my own conclusion is from what I have seen—that it was bonus, a share of common with a share of preferred; that covered $350,000 of it, then the rest of it one must assume was for assets. Now, the honourable gentleman asked me how much was for something else; I think you can assume that $350,000 was bonus stock that went along with $350,000 preferred.

Q. And the $215,000 remaining common stock were not necessarily sold for cash but went for picking up small dairies?—A. Yes, I think that would be a fair assumption.

Q. And perhaps none of that represented real money secured through the sale of stock?—A. I would not like to put it that way; I would not like to be quoted as saying it was not; I would rather put it this way, that it probably was for assets.

Q. That is, for taking over these small units?—A. Yes, I think that is it.

Q. That would leave $350,000 that is not accounted for, I notice from the Financial Post's financial service here that the original offer to the public in 1900 was $100,000 of preferred stock carrying a bonus of 1 share of common stock of $100 par value for each share of preference stock?—A. Mr. Ames apparently would have a full notation, he would have it right in his office.

Q. So we could get a statement from Mr. A. E. Ames himself?—A. Probably, I would think that, because the name of Mr. Ames' company appears on the prospectus—you might, I don't know whether you could; it might be difficult, I don't know whether his records go back to that; that would be a matter in the ordinary course of business, and the records may be there. I think you would be quite correct in assuming that the statement that you read from there in the Post of the offer of $100,000 preference stock is correct; I don't think there is any doubt about that.

Q. Well then, beginning with that $100,000, that is $100,000 that came into the treasury of City Dairy; what was the next move then to sell stock in the company?—A. Well, now, of course, there would be more than that $100,000 Mr. Spotton; that would be part of the offering to the public. I think it would be fair to assume as a fact that the preference stock carried a bonus, and that the preference stock represented the cash investment; that the common stock to the extent of $350,000 went with the $350,000 preferred. I think that would be a fair conclusion, that would be consistent with what you have said there. I think that is fair.

By Mr. Tummon:

Q. Just there, Mr. Brown, I am not just clear; that $350,000 carried with it 3,500 shares of common, did it?—A. Yes.

Q. Now, have you accounted for all?—A. No, that is the point I am not clear on, I am assuming, but I may be wrong about this; but I made the best inquiry from every person that I could and my information is that that was represented in assets which went in there.

Q. The whole thing?—A. Probably the whole thing, I would think except the $35,000—now, there was $35,000 in common stock which was not needed, and which, as I said, was cancelled; so that you had to reduce your consideration from $600,000 of common—and I am speaking about dollars—then on the 23rd of October, 1909, supplementary letters patent were taken increasing the preference stock from $350,000 preference to $700,000 preference.

By the Acting Chairman:

Q. That was in 1909?—A. Between 1909 and 1911, according to the best record I can find; and the whole of that $350,000 has been sold. In other words, you have got another $350,000 coming into the company between 1900 and the end of 1911 by the sale of preference stock. That brought the total capital structure as of that date to $565,000 common and $700,000 preference.

By Mr. Spotton:

Q. In 1911, 1,750 shares were issued in payment of this Price & Sons Limited?—A. Yes. I might turn to that for a moment; the Price & Sons' property was operated for some time by City Dairy, and then they owned it. They bought it. But I do say that I think that it would be operated as a competing unit, and in 1917—December of 1917—the company was gone, as I will show in a moment, had been in need of capital, very seriously in need of capital, after 1911 and until 1917. It was decided in 1917 and the beginning of 1918 to terminate Price & Sons as a separate unit, and it was absorbed and taken in as part of the City Dairy.

Before I come to that, there is just a matter here that I think I should mention, so that you will get the sequence, because I think it is rather important. In 1913—that is on the 18th of March, 1913—they had to get more money, and they first of all applied for letters patent increasing the common stock of the company by $282,500; that brought it up to one million—I am giving the total —$1,547,500 gross. They got supplementary letters patent increasing it by $282,500. Then on the same day they got supplementary letters patent decreasing the capital by $282,500. The reason for that was this—it looks like a strange transaction, but you will get the reason for it in a moment. There was $565,000 of common stock outstanding. They cancelled half of it so that if you, or any one of you had, we will say, two shares of that common stock, instead of having two shares you would have one. In other words, it was decreased from—if $200, you would have $100—$565,000 to $282,500. Then you were offered a pro rata on the common stock, if you would pay for it at par.

They needed money, but they did not want to increase their capital structure so that they would have to carry a larger amount on their books by way of good will or something of that sort, so this is the means devised to accomplish it. They said to their shareholders, "If you have got two shares, you surrender your two shares and we will give you one back; and we will give you another one if you will pay $100 for it," and they sold $265,500 of common stock at par in 1913.

Q. 2,825?—A. Yes, that is right, 2,825, half of the amount. 2,825 shares which brought $282,500 into the account, and they wrote off $282,000 off their good will account, so they got in $282,000 in new money; they had no difference in the amount of common stock, and their capital stock was reduced by $282,500. Then they were still in need of money, and in 1916 they got supplementary letters patent increasing the common stock by $435,000, which brought it up to one million, and the preference stock by $300,000 which brought it up to a million, so the total authorized capital about the first of February—I have not got the exact date of the supplementary letters patent, but I think is the first of February, 1916—was $2,000,000. Then they could not sell shares. Nobody would buy them. Then in 1917 they issued a bond—they made a bond issue, and that was not successful. Then finally the gentlemen concerned went to the bank and guaranteed $200,000, which they obtained from the bank as a bank loan.

Q. That is in what year?—A. That was in—I am not sure of the exact date, but I think it was about 1916 or 1917. It was right in there at that point. They were pretty strenuous days for the company, apparently. That loan was guaranteed by Messrs. Deacon, McNaught, Ames, Moore, Massey and Weston. Prior to that, on two occasions, Mr. Ames and Mr. Moore had had to guarantee substantial amounts at the bank to keep going. Then it was just about that time, as I will come to in a moment, that Mr. Northgrave became general manager of the company. So that to continue my first story, the capital stock in 1916, authorized, was $2,000,000. The issue was 700,000 preferred and 565,000 common. There was no change in the capital issue of shares until in 1927 when $12,500 par stock was made as a gift to Mr. Northgrave, which I will come to in a moment. I think that is one matter that Mr. Spotton asked something about. So that is the situation, as far as the issued capital of the company was concerned prior to its being taken over by the Borden Company.

By Mr. Tummon:

Q. There was no change, you say?—A. There was no change; there was no further issue; the only issue beyond that was the $12,500 par to Mr. Northgrave in 1927.

By Mr. Spotton:

Q. That was after it was split?—A. After it was split, yes.

Q. That is after the first split?—A. After the first split, and then I will show he received the certificate after the split was made. They were both approved at the same shareholders' meeting, as I will come to. Then in March of 1924, the 10,000 shares of common stock of $100 par value were divided into 40,000 shares of $25 each. I think you know about that. Again in October of 1927 the 40,000 of common shares of the company of $25 par value were further subdivided into 10,000 shares of no par value. I think that covers it in detail.

Q. What date did you give for that last split?—A. I think it was October, 1927. I can give you the exact date.

Q. Yes?—A. I may be wrong about it—

Q. That is right, the 21st of October.—A. At that meeting, at the meeting of shareholders—

Q. That is passed by the board of directors?—A. Yes.

Q. On the 21st of October, 1927?—A. Yes, I think that is right.

Q. That is the minutes of proceedings?—A. I think that is right. Now, that covers, I think completely the changes in the capital structure prior to the taking over by the Borden Company. Then another matter—I don't want to overlook anything, because I am quite willing—

Q. If you are leaving that, Mr. Brown, from your survey what would you take as the actual amount up to this time, the time of the change of the last financial structure which was about 1916—what would you take was the actual amount of cash, of capital, paid into the running of this company?—A. Well now—

Q. Would you take it as 700,000 preferred?—A. I have got a statement here that I think shows the situation. I think this probably will answer your question, and also be more accurate than any other way I can put it. The capital of the company, of any company, is necessarily made up of capital which is paid in and capital which is left in. In other words, if I had a business, or you had a business, and you put in a certain amount of money, and then you leave a certain amount in, there is your investment, or your capital investment, properly; you may not call it that; it is made up of your capital, your reserve and your surplus. Now, there is a statement here, of which I will give a copy to the Chairman, which shows that capital reserves and surplus, which I think is the fair way to consider that matter that you referred to there; the capital reserve and surplus in the company, that is what was there if you owned the whole company, that is what you had there in 1929, was $2,320,911.

Q. What is that amount again?—A. $2,320,911.08.

Q. What I am interested in—you will pardon me for hanging on to this point—but what I am interested in at the moment is the number of working dollars that were brought into the City Dairy, Limited, and not what they have earned after, after the million.

Mr. Pickel: The actual cash.

By Mr. Spotton:

Q. Yes, the actual cash?—A. Well, this statement shows the actual cash reserve and surplus; it starts in 1904; that is the earliest date I can give.

Q. Reserve and surplus would be earned by the company.—A. Well, possibly, yes. We will assume that. In 1904 it was $838,060.

By Mr. Pickel:

Q. That is reserve and surplus?—A. No, that is capital.

Q. Paid in?—A. Capital paid in, reserve and surplus as early as 1904. I think perhaps that is a pretty fair estimate of the actual cash, Mr. Spotton, because at that date there was an increase of capital after that date, as I have shown, because these issues were made, some of them after that date, and so on. But I think that it is fair to say that is probably the actual cash capital, because the company, prior to 1904 was in a pretty bad way. I mean, they were losing; had lost, for instance, in one year, $60,000; $5,000 a month. They almost closed up. They tried every expedient that could be tried; they did everything that the directors could do to keep it going, and there was a lot of grief before it got past 1917; so that this statement which I have compiled and which I will put in—at least which has been compiled, is a very careful statement showing the capital reserve and surplus in one column for the years from 1904 to 1929, and the net income, and from this you can see pretty well the whole picture. And in answer to Mr. Spotton, I can only say I would have to deduce from that figure and from the facts that I have given as to the history of the company, that that must have represented approximately—I will say approximately

there—very closely the actual cash invested as of that date; because there could not have been very much in the way of surplus or reserve.

Q. What is that amount?—A. That is the amount I gave you, $838,060.

By Mr. Tummon:

Q. That would be up to what year?—A. That was after the first four years had gone by. That is why I say, although it has here, reserves and surplus, I would have to assume, from what I know of the facts and the condition of the company, that there could not have been very much in the way of reserves and surplus in that, after the company had gone through what it had gone through during those years.

By Mr. Spotton:

Q. Well, Mr. Brown, I am not trying to tie things up, but we were at a point before where we agreed that it was reasonable to believe that in the year 1911, when there were $350,000 of preferred and $565,000 common issued, I think we were on common ground there, where it was said it would be reasonable to believe that the $350,000 preferred, of course, is cash, and there would be $350,000 of the $565,000 bonus, a gift, leaving $215,000, which added to the $350,000 would be $565,000. That, we would assume, would be paid in cash up to 1911; is that correct?—A. Possibly yes, you may be right about that.

Q. Then it could not be $838,000 in 1904.—A. Yes; there may be some discrepancy there. I cannot tell you that. Excuse me just a moment. Apparently between 1909 and 1911 there was another $350,000 went in.

Q. Making a total of——A. Well, the total on this sheet is, in 1911, $1,319,002.50.

By Mr. Taylor:

Q. You said some time ago that the directors gave security to the bank in order to secure a loan, of $200,000 or $300,000.—A. $200,000.

Q. What year was that?—A. I cannot tell. I think that was about 1916, because I notice Mr. McNaught's name on the list, and my recollection is that he became president at that time. That would pretty well fix the date of the bank loan of $200,000.

By Mr. Spotton:

Q. The statement here is in 1909 the authorized preferred stock was increased to 7,000 shares?—A. Yes, I think that is correct.

Q. Preferred stock, and in November, 1909, 1,000 shares were allotted to shareholders of the company at par, which would bring in $100,000 in cash. In 1911, 750 shares were issued in payment of the business of S. Price and Sons, Limited. That, of course, was not bringing in anything——A. Well, it would bring in an asset.

Q. In the way of cash?—A. Yes.

Q. In August, 1911, 750 shares, which would be $75,000 more, were allotted to shareholders at par, increasing the issue of preferred shares to 7,000, or $700,000.—A. I think that is probably correct.

By Mr. Tummon:

Q. Coming up to 1917, Mr. Brown, I think perhaps it might help Mr. Spotton if you could tell the committee about how much, in your opinion, actual cash had been paid into the company about that year?—A. Well, I do not know that I can tell that. You have a certain amount of assets which have gone in Price and Sons, and other dairies that were acquired, cash that had

gone in from subscribers, and I do not think I can answer that. I will try to get the information for you, but I do not think it is available. I do not think anybody knows.

Q. So that it would be impossible to say, or to ascertain in the year 1917, the actual cash that had gone into the company?—A. I think it would be without—I would get it for you if you can wait a week. I can probably get an accountant to try to find it out; but I do not know that I would get it any more accurately than you have it for your purposes.

By Mr. Pickel:

Q. What was the surplus and reserves in 1917?—A. $1,391,180.52. Well now, I was just going on with this statement. Was that satisfactory? Is there anything else you wanted to know? I shall give you any information I can.

Q. That is as near as we can get to it.—A. I think it is as accurate as it can be got.

By Mr. Spotton:

Q. I think the A. E. Ames Company, the Colonel Deacon Company together, both or either of them, were connected with all the flotations of this company from the beginning, and I presume, if the committee wishes, that they together would be able and the only people who would be able, to give us the information. We can hardly expect you to have it on hand; but the stockbrokers who issued those flotations, the A. E. Ames Company and the Deacon Company, would be able to give that accurately. Ames was connected with it right from the start.

Mr. TUMMON: It is very doubtful if they would have those records.

The WITNESS: I do not think you can get any more information than you have here that would help. You are wanting to find out, as near as you can—

By Mr. Spotton:

Q. The number of actual dollars that went into the company; because figuring the spread we are satisfied every dollar that a man has put in should bring him an equitable return, but he should not receive a return on any fictitious dollars, or anything like that.—A. Well, the information I have given you, I think answers that point.

Q. It is an estimate.—A. Yes; I think that statement gives you what you want. That is the one I am filing.

Q. It would be safe to say, to be generous, that there were perhaps $700,000 of preferred—that is sure—and there might have been 215,000 of common. It would perhaps be fair to say that there was $1,000,000 of actual cash invested in the company.—A. Well, Mr. Spotton, you have overlooked the $282,500 of common that was put in by the sale of 282,500 shares when they decreased, and then increased the stock which I mentioned. I think you are right, if you include that.

Q. Yes, if that was put along with it, it would amount to one million. —A. It would make it up to about, I would say, one million and a quarter. Now, the only comment I have, and I think it is fair—

Q. Then, we shall leave it at that: in your opinion the actual cash paid into the City Dairies to go to work along with labour and everything else, was one and a quarter million.—A. I would think that would be net actual cash paid in; but I think in fairness to yourself, in coming to that conclusion, you would have to take into account the reserves and surplus which have been left in the company from year to year by the people who own the company, that is, the shareholders. I think that is fair.

Q. No, those dollars have earned those dollars.—A. I do not want to argue with my friend on that.

Q. But that is the actual real money that went into the City Dairy to operate and do business, one and a quarter millions.—A. I think it is.

Q. Then whatever was made was left there?—A. I think that is apparently right.

Q. Caulfield's started off with a capital of $40,000 and never put in anything, and never took out anything, and whatever they developed gave them $695,000, that is all. The actual capital was $40,000, so we will assume that the actual money put in here was one and a quarter millions.—A. Yes. Now then, the only thing that I should like to say is this; I think probably in fairness to yourself and myself, you asking me the question and I answering it, if you were the investor and put in the million and a quarter, and then you left it there without any return for a number of years, and it accumulated as surplus or reserve, that would to all intents and purposes be additional capital. I think that is fair.

Q. That will come in later.

By Mr. Pickel:

Q. What was the total capital?

By Mr. Spotton:

Q. The preferred shareholders got their dividend all the way through?—A. They did not get it all the way through. There were certain—the first thing they did, I neglected to say, was at one point they surrendered their cumulative rate on their preferred. That is one of the first things they did. Then they passed certain dividends on their preferred for quite a long period, until after Mr. Northgrave's time, and while they picked up certain of those—

Q. Four blank years?—A. Yes, something like that. Now, on that basis in 1929 this statement shows the capital, reserves and surplus. Taking Mr. Spotton's estimate of one and a quarter millions in cash, the capital, reserves and surplus in 1929 amounted to $2,320,911.08. That is the statement I am filing, $2,320,911.08. So that from Mr. Spotton's analysis and this—I am assuming he is correct—there might be something different from that, but I think that is probably right.

By Mr. Pickel:

Q. On what date did Borden's take it over?—A. Sometime in 1930.

Q. What was the surplus and reserves in 1929?—A. Well, I do not know that. This statement shows that—

By Mr. Spotton:

Q. I think Mr. Thorne gave that, did not he?—A. Yes; I think that is probably on the record. I think you have it. I hope I have covered all. I should like to cover it very thoroughly because I should like to give the committee all the information I can. The next matter I was going to turn to as nearly as I can tell from the record was with respect to Mr. Northgrave—the gift to Mr. Northgrave of certain stock in 1927.

By the Acting Chairman:

Q. Mr. Northgrave took charge in what year?—A. He took charge—I will give you that. Mr. Northgrave's connection with the company commenced in 1901. In 1917 he was appointed general manager and in 1922 he was elected president of the company.

By Mr. Wilson:

Q. As general manager what salary did he get in 1917?—A. I have a list of the salaried payments here which I will file.

Q. I mean as manager?—A. The originals are all filed, Mr. Thorne tells me.

Mr. SPOTTON: No; not back to 1917. Mr. Wilson asks for 1917.

By Mr. Wilson:

Q. I do not mean when he was president. I mean when he was manager?—A. 1914 he got $4,000.

Q. 1914?—A. 1914.

By Mr. Spotton:

Q. $4,000. What about 1915?—A. $4,000, 1916, $4,166; 1917, $6,000; 1918, $14,000; 1919, $15,000; 1920, $15,000; 1921, $15,000; 1922, $25,000 in all. I am giving you the gross—$25,000. Then I think you have the record after that.

Q. 1921 was $15,000, was it?—A. Yes, $15,000.

By the Acting Chairman:

Q. That was as president of the City Dairy Company and the Dry Milk Company?—A. That is the whole amount. That is everything. I am including everything.

By Mr. Wilson:

Q. Was he president or manager or both?—A. I could not tell you that. I am giving you the salary that he got in all capacities—everything that he got no matter how it was paid.

By Mr. Spotton:

Q. You said he became president in 1922?—A. Yes, president in 1922. He succeeded Mr. McNaught who was president up until before Mr. Hargrave.

By Mr. Wilson:

Q. How long was he president of the City Dairy and Dry Milk Company and what were his salaries from 1922, where we are now, up until 1930?—A. I can give you the gross. I can give you both. Probably what you want is the gross.

Q. For both companies?—A. 1922, $25,000; 1923, $25,000; 1924, $45,000; 1925, $50,000 and so on.

Q. 1926?—A. $50,000.

Q. 1927?—A. $50,000.

Q. 1928?—A. $50,000.

Q. 1929?—A. $60,000 is what is here. 1930—that is the year he died—$25,000.

The ACTING CHAIRMAN: I might say that the witness has filed a statement here giving the total salaries.

By Mr. Spotton:

Q. Now, Mr. Brown, there has been, I think, a little misunderstanding and perhaps a little unfair criticism to about this amount of stock. I mentioned it to Mr. Thorne so it will be thoroughly looked up—the stock bonus which Mr. Northgrave got. He got a bonus of stock?—A. Yes. I was coming to that. I want to clear up everything as I go. I will try to cover everything. I will not leave anything out. Now, I want to say this—two or three things about Mr. Northgrave before I come to the question of the salary. The money that he

got as preseident, the high salary he got coincided with the prosperity of the company, and I need not tell you—I am not making political speeches—when I tell you in fairness that as a director it carried my judgment and carries my judgment to-day, when this was done. I was on the board at the time this was done and I thoroughly approved of what was done. Now, the difference between a successful company and an unsuccessful company is largely management. I know that to be a fact. You know that to be a fact. The difference between a successful farmer and one who is not successful is management.

Mr. PICKEL: And capital?

The WITNESS: It may be capital too, but it is largely management. It is foresight, it is honesty, it is courage. It is a whole lot of things that the man has got to have before you can be a good manager and can be entitled to a salary such as Mr. Northgrave got, which is a very large salary; but in my opinion he earned every dollar of it.

By Mr. Wilson:

Q. It is very large in comparison with what the farmer got?—A. I will come to that in a minute. Now, Mr. Northgrave got this large salary. I know for a fact—and I am saying this for the record—that he had opportunities to change from this company both to the other side and this side at a salary that was practically the same. Now, he made this company what it was. I made an estimate of the amount of money, dollars and cents that was paid out during the history of the City Dairy Company for farm products and it is something over $50,000,000. Now, $50,000,000 is a lot of money to be paid to the farmers for produce, milk, hay, oats and other things. We had two hundred and some odd horses on the streets of the city of Toronto—250. They have to be fed. They are there every day. And this industry which represents, as Mr. Spotton says, a certain amount of investment—I say that it represents $50,000,000 paid to the farmers of Canada by virtue of its being a successful business, and the man that made it a successful business was W. J. Northgrave.

By the Acting Chairman:

Q. Over what period was that paid out?—A. That was paid out from the beginning. From the time the company was formed down to the end of the period of thirty odd years that the City Dairy has been operating. I made an estimate, and I think it is fair, from the figures I have got that $50,000,000 has been paid out to the farmers, directly or indirectly, for farm produce by the City Dairy Company. Now, I say—

By Mr. Pickel:

Q. You are not a producer yourself; you do not know anything about it?—A. I was very nearly being a producer, because you have to know a lot of things when you are operating a dairy business.

Q. Have you ever figured out during all this time how much the farmer has lost?—A. I am not taking that. I am just making a straight statement that $50,000,000 in cash—

Q. $50,000,000 business. That might be a $50,000,000 business and still the producer might have lost?—A. Quite true. He might have lost. I was through the milk enquiry before, and I am not sure that the farmer has ever had a square deal anywhere; but that is one of the things that we want to fix up; but in a competitive business where we have competition on one side you have a lot of problems involved, and all I am saying is that you should not get a one-sided picture. When you say Mr. Northgrave got a salary of so much and other bonuses, I say $50,000,000 in cash—I do not care whether the farmer got a loss or not—if $50,000,000 is produced in cash and paid for farm produce which is sold that is a consideration in a business being successful.

By Mr. Shaver:

Q. Have you the amount paid out in 1929—the year of the $60,000 dollar salary?—A. No, I have not for that year.

Q. The amount that was paid to the farmers for that year?—A. No.

By Mr. Pickel:

Q. Have you the amount of salaries paid out in that year to other people besides Mr. Northgrave?—A. Yes. I can give you that. Which year did you give?

Q. 1929.

By Mr. Shaver:

Q. 1929. $60,000, was the maximum salary?—A. In 1929 the president got $7,000. The vice president—

By Mr. Spotton:

Q. Mr. Northgrave was president?—A. I am wrong in that. I should say the vice president, Mr. Moore got $7,000.

Q. What vere his duties, or what portion of his time did he give—A. He was chairman of the Board and vice president, of the City Dairy Company and the Dry Milk Company.

Q. He was just called in at Board of Directors meetings, I suppose.

By Mr. Pickel:

Q. Was he technically connected with the company?—A. Mr. Moore from the very inception of this company—I am not here to speak for Mr. Moore, but you all know him; you know the position he occupies in the community—but Mr. Moore was a very valued and valuable connection in this company from the very beginning. He has always had a very active part in it, and it takes a lot of things to make a company a success.

Q. He got something out of it?—A. Oh, yes.

Q. For his active part?—A. Nobody got overpaid. I am quite satisfied of that.

By Mr. Wilson:

Q. Directors fees and executives salaries for the year 1929, as I have figured it out from the sheet you have filed, were $79,600?—A. I would not call that directors' fees.

Q. It is the way you head it "directors' fees and executives' salaries"?—A. I do not want to adopt the caption. It is not fair to say "directors' fees."

Q. That includes Mr. Northgrave's salary of $60,000?—A. Yes, it includes the executive officer, Mr. Northgrave, who is the general manager and the working head of the organization. Now, to call him a director is one thing. We all might be directors, but the man who is the general manager of the company is in a different position. So I want—

Q. He got $60,000 and Mr. Moore got $7,000, Mr. Ames as a director got $18,000?—A. He was on the executive committee.

Q. Colonel Deacon got $18,000?—A. The executive committee in 1929 included Mr. Ames and Colonel Deacon, and they got $1,500 as members of the executive committee.

By Mr. Tummon:

Q. In 1922, when Mr. Northgrave became president you gave the salaries for each year from that time forward until 1930, I think it was; can

you give the net returns to the company for those years?—A. I think it is filed. I can give you the net income. The net income of the company—which year was that, 1922?

Q. Start with 1922.—A. 1922 the net income of the company was $225,437. I am filing a statement here showing the net income for each year, 1904 to 1929, so that you will have that.

Mr. WILSON: Salaries.

Mr. SPOTTON: Net income.

The WITNESS: Yes. Net income.

Mr. TUMMON: Just read it.

The WITNESS: 1922 the net income was $225,000; 1923, $281,000; 1924, $257,000; 1925, $274,000; 1926, $278,000; 1927, $323,000; 1928, $327,000; 1929, $262,000.

By Mr. Wilson:

Q. Have you the turnover of the companies in those years?—A. That is the net income.

Q. I know that. I wanted the turnover of the companies?—A. It would be several—I do not know how many millions.

Q. You referred to the fact of this $50,000,000 being spent with the farmers. I would like to see the turnover to see if it was justified to pay out $79,600 for the year 1929 to the directors?—A. Well, I would say this—

By Mr. Spotton:

Q. Mr. Thorne has submitted this?—A. Well, I think that is another—

Q. Would you give us a statement of the transaction?—A. I just want to say one other thing about Mr. Northgrave. Mr. Northgrave's life was insured for $350,000 payable to the company and upon his death the company got $350,000. The premium on $100,000 was paid by the Dry Milk Company and the premium on $250,000 was paid by the City Dairy Company.

Q. What do you mean, was that insurance taken out during these five years?—A. My recollection is it was two or three years before he died.

Q. Your recollection is that it was two or three years before he died?—A. Yes.

By Mr. Pickel:

Q. What is the amount of those premiums?—A. I can't tell you that.

By the Acting Chairman:

Q. They would be very high, would they not?—A. They were payable to the company as protection in case he died, and he did die, and he died as the result of his work for the City Dairy Company, that is my opinion.

By Mr. Spotton:

Q. Mr. Brown, is that correct; I can understand the City Dairy during these hard years—I know they had hard years until about 1916—I can understand the City Dairy then insuring the life of Mr. Northgrave, but insuring his life a few years before he died when the City Dairy had trouble finding a place to put their profits is a different matter?—A. No, that was not the reason this was done.

Q. It is up to the directors to give us the reason?—A. I will give you the reason: it was the judgment of the board that Mr. Northgrave was an exceptional man, there was no doubt about that—the fact that this company prospered as it did during his period when he created this successful organization during the time that he had charge of it, he gave his life to it and he worked

without ceasing as far as business was concerned, and I am satisfied that it was loyalty to the Dairy Company and the shareholders of that company that cost him his life. Now the directors, as a matter of good judgment—they might or might not be able to find the man to take his place if anything happened to him—as a matter of good judgment they insured his life. It was a thing that any fair-sighted or far-sighted business man would do where they have got the money of their shareholders in trust; and we took $350,000 for the reason we knew that if he didn't die we would cash in on it by the work he would do for the company.

Q. Did you insure any of the others?—A. No, we did not, Mr. Northgrave was the key executive man of that company. Anyway the information that I have got—I don't know what this is.

Q. It is probably Mr. Thorne's statement?—A. Now, I don't know—that was treated—I don't know who obtained the $50,000, or the amount—I don't know anything about that.

Q. Perhaps Mr. Thorne would be able to tell us?—A. I do know that the amount of the policies on Mr. Northgrave's life were $250,000 for the City Dairy and $100,000 for the Dry Milk Company, making a total of $350,000, which I understand was paid.

Q. Mr. Thorne would be able to give us the premiums.

Mr. THORNE: I don't know that, Mr. Spotton.

The WITNESS: That would be before Mr. Thorne's time. I can get that for the committee if you want, I can get the premium that was paid by the company for this particular insurance.

By Mr. Spotton:

Q. Could you estimate what the premiums would amount to?—A. I don't know, I don't remember whether it was a twenty-pay life or an endownment or what it was; I don't know that but I will be glad to file that with the committee. Now, I think the other matter that you wanted some information on was the matter of Mr. Northgrave's stock.

Q. Yes, will you give us the information about Mr. Northgrave's stock?—A. Yes, that is what I was going to come at.

Q. Just deal with the little block first?—A. At the annual meeting at the beginning of 1927 Mr. Northgrave had been 25 years with the company, and at the meeting at the beginning of 1927 one of the shareholders brought up the matter that something should be done, and in an especially generous way, for Mr. Northgrave in view of the fact that he had been with the company for 25 years. Now, I want to say this, that the shareholders in City Dairy were most enthusiastic about Mr. Northgrave at all times. There wasn't a shadow of doubt about that. They appreciated what he had done, and a lot of them were original shareholders who had taken preferred stock and common stock at the beginning. It was pretty largely held and held in small lots, and they were very loyal to him.

Q. You are speaking of the shareholders' meeting?—A. I am speaking of the shareholders' meeting. They made good profits, they had made good money—there is no doubt about that; it was a very successful enterprise from the shareholders' standpoint, and when they said they wanted to do this, it was a thing that they really wanted to do. Well, the question then came up how it should be done—that was in February 1927.

Q. Now, Mr. Brown, did you say that the shareholders really wanted to do this, or that the directors told them to do it in the calling of their annual meeting?—A. I would say it was the shareholders.

Q. The calling of the annual meeting says "and for the purpose"—that is dated Toronto, October 22?—A. Which is that?

Q. The main business before the meeting—this is one of the notices calling the meeting—was: " and for the purpose of approving and affirming a resolution passed by the directors on the 10th day of June, 1927, voting to Mr. W. F. Northgrave, general manager, 500 fully paid common shares of a par value of $12,500 in appreciation of and as further remuneration for his 25 years' services with the company, and for the transaction of any other business." Now, the directors passed this resolution on the 10th day of June and on the 22nd day of October they issued this, their annual meeting for November 15— so it really entered the minds of the directors first?—A. No, that is the point; I agree with what you said, except this; the matter first came up at an annual meeting of the shareholders in February, 1927.

Q. You mean the year previous?—A. The annual meeting was in January or February—I don't remember which, but I think it was February—and at that meeting one of the shareholders brought this up, and the question of making Mr. Northgrave some suitable and substantial acknowledgment of what he had done, and it was left in their hands to consider; that was in February at that meeting—not the directors, but the shareholders.

Q. It was following the meeting previous?—A. It was at the annual meeting previous, and it was left to the directors; and that is how the notice came to be in the call for the annual meeting to which you refer. The reason is this, as I mentioned before, that the capital structure of the City Dairies Company had issued $700,000 preferred stock, and $565,000 common stock, and that except for the further issue of 12,500 common stock—it remained that way right through—you may have the date there.

Q. It remained there until Borden's took it over?—A. Until 1930, that is correct; the only change made in the capital account—that is in the issued stock account—was when 12,500 of stock was given to Mr. Northgrave as a result of this action. That was conceived by the shareholders' meeting, and passed on to the directors, acted on by the directors in June, and finally submitted to a meeting of the shareholders—the notice at the time you mentioned there—October. I haven't got the date, at any rate it was approved specifically by the shareholders, and was carried out on November 18, 1927, when a certificate for 500 shares of $25 stock at a par of $12,500, was delivered to Mr. Northgrave. He exchanged that certificate for a certificate for 2,000 shares, January 3, 1928.

Q. Of non par?—A. Of non par.

Q. Would it be in 1927 or 1928 that they were split four ways again?—A. I would say that was—

By Mr. Pickel:

Q. Let us see what the idea was; we really don't understand it very well—what was the idea of the splits, they confuse us?—A. They sometimes confuse a lawyer.

Q. Now, this company has been split— —A. One of the reasons that it was split is this: there is a certain feeling amongst companies to-day—I know that nearly every company that is serving the public, if they are offering their stock on the market and it is selling for $230—

By Mr. Spotton:

Q. As it was here.—A. The every day man can't buy it. Now, if four men come along and buy four shares that are selling for $230, the average man can't buy it—I couldn't buy it unless it was pretty well down.

Q. Then it is just a case of it being out of reach?—A. It is not only that, but very likely, or practically, it is this: if you have a share of stock in an excellent situation it may get so high that it is no longer a good buy, and when

you have people getting the idea that they can make money out of the milk business, you want to have the stock at a price that people will want to buy. You want to get people interested in your business.

Q. Yes. So it won't look as though the company are making too much money.—A. No, not necessarily that, I would not say that that is the proper conclusion at all. You get your company where its shares are at $150, which is reasonable—or $120, and another firm decide to buy that in—you have got nothing to do with it—and they may run it up pretty high. Let us say that Mr. Spotton here has the company, and I am going to get the stock of this company when it is on the market and put it up—you know the way stock is put up—and you don't want to see your stock put up like that so you split it up—that is what happened the City Dairy.

Q. We will have to study this for ourselves.—A, That is the reason, that is what happened.

Q. Now, just to close this matter, Mr. Northgrave got 500 shares of a par value of $25 which a few months later was split four ways, which made it 2,000 shares of no par value?—A. That is right.

Q. Then about two years later, when the Borden Company took it over—they gave eight shares, was it—of common stock in the City Dairy for 7 in Borden's?—A. It was 7 for 8.

Q. Seven of Borden's for 8 common of the City Dairy; and I think Mr. Thorne told us the other day that the day Borden's took over the City Dairy, Borden's stock was worth $80; that would mean that these 500 shares which you gave Mr. Northgrave in 1927—not 1928, he really got them before 1928—he died in June, 1930, that is a year and a hafl after—it would net his estate, this bonus or present would net his estate $140,000?—A. That is quite correct, except for one thing; and that is, that he sold the stock at an average cost of $50 in February.

Q. I know this has been put up to you in another way which I don't think was correct.—A. No, it was sold, he sold his stock.

Q. And that is correct, this bonus that was given?—A. No, wait a minute; it is not correct.

Q. Was worth $140,000 if they sold it?—A. If he had held his stock until his death, you may be correct; but as a matter of fact, his stock was sold at an average price of about $50.

Q. Now, I wish to know whether my statement is correct or not, that at the date of Mr. Northgrave's death this present of $500 which was given in that year—

The ACTING CHAIRMAN: Shares.

By Mr. Spotton:

Q. Shares, 500 shares, were worth $140,000?—A. It turned out they might have been, if he had kept them. On the other hand, they might have gone down to two or three dollars a share.

Q. No, it is not what might have happened?—A. I know.

Q. You are going to deal this time with what just did happen.—A. Yes.

Q. It is not necessary for me to get exact dates; but Mr. Northgrave received 500 shares of common stock which, a few months later, was split four ways and made $2,000 of common stock—

The ACTING CHAIRMAN: Shares.

By Mr. Spotton:

Q. 2,000 shares of common stock of no par value; and then a year and a half or so after that, that 2,000 shares was transformed into the Borden stock?—A. The man that held—

Q. Which being sold, were worth $140,000 in value the day that Borden's took over the City Dairy?—A. Yes, the man that held those shares, whoever it was; the people that held those shares would get it.

Q. That was his estate?—A. No, not his estate. I beg your pardon. I want to get this correct. He sold his stock in February of 1928 at an average price of $50 a share, and whoever made the difference between $50 and $80 a share was not Mr. Northgrave, but was some person else who went out and bought the shares on the market and sold them to Borden's. That is the fact.

Q. Of course, I am sorry they were sold.—A. I am sorry too, he was sorry afterwards.

Q. Because they had a suspicion around Toronto at the time, and I would rather have known that the block was held rather than sold.—A. He sold.

Q. That sale was after they were presented to him, as a matter of fact.—A. That is not a fair insinuation.

Q. It is not an insinuation, it is a statement.—A. I know, but Mr. Northgrave sold the shares in February, and he got an average price of $50 per share.

Q. Yes, but my point stands, whether he did that or not; my point stands that the 500 shares that were presented to him, were a year and a half later when the transfer took place, worth $140,000?—A. Yes, that may be.

By Mr. Shaver:

Q. Mr. Brown, can you give us some explanation about this, the good will of the company shown on the balance sheet; it seems to fluctuate. In 1907, when the company must have been smaller, and doing a smaller amount of business, the good will is put in as $781,000 and some odd; carried along until 1911, it was down to $731,000, in round figures.—A. $282,000 was taken off when they made that deal.

Q. In 1913 it drops to $448,634.38?—A. If you take that $282,000 off that first amount of $700,000, you will get the amount which you have just read, I think.

Q. I want to carry it through a little further. It is carried through at that amount of $448,634.38 from 1913 until 1922; but in 1923 it is reduced to one dollar?—A. That is right.

Q. And carried at one dollar from 1923 until 1929; in 1930 it jumps up to $2,162,702.52?—A. I can't tell you anything about the jump. I can tell you about the decrease. The amount of good will which you have mentioned in the early period was reduced from time to time, which is good business in accounting; and then the $282,500 which was written off when the stock, as I told you, the common stock—if you had $2, you got one dollar of stock—that $282,000 was taken out of good will account, which cut it down to $400,000 odd. You can get it. I think you will find it was exactly $282,000 between that amount, getting down to $400,000 odd; and that is carried, I think, at approximately the same amount until 1922 or 1923.

Q. Until 1923 it drops?—A. Yes, when we decided we would write off the good will account.

Q. But the point I noticed first was the increase in 1930; then I checked back to see what it had been at periods before that time, jumping from one dollar to over two million dollars?—A. I assume that would be—

Mr. Spotton: What is a million in the dairy business?

The Witness: I think, Mr. Chairman and gentlemen—I don't know whether I have missed anything or not, but I have tried to answer everything I could.

Mr. Spotton: I think perhaps the committee will understand.

By Mr. Shaver:

Q. Will you let me have an explanation for that, why it should be?—A. I think that perhaps is in the record now, in connection with the Borden's.

Mr. SPOTTON: Mr. Brown is not now solicitor for the company, and consequently not as interested.

The WITNESS: I don't know anything about that; that is after my time.

By Mr. Spotton:

Q. You were solicitor?—A. Prior to that time; yes. I don't know anything about this increase.

By Mr. Senn:

Q. Mr. Brown, you told Mr. Spotton, I think, when he was questioning you, that the initiative for the transfer of this stock to Mr. Northgrave in that year—I don't know the year—A. In 1927.

Q. —came from the shareholders?—A. At the annual meeting, yes.

Q. At the annual meeting?—A. Yes.

Q. Can you say whether by private shareholders or some of the shareholder directors?—A. Well, it came up in this way, that Mr. Northgrave had been before the shareholders for years, and I don't remember now, I can't tell you—

Q. You would not say that, after all, the initiative did not come from some director?—A. I know it came from a shareholder—I know it came from a shareholders' meeting, and it was approved spontaneously by the shareholders' meeting; I know that.

Q. You left the impression on the committee formerly that the initiative really came from private shareholders, didn't you?—A. No, I didn't say that. I am not sure. It was brought up but I can't tell you—

Q. That is really the inference that I think may fairly be drawn from your statement. Now, in regard to this stock and the amount it was worth, how soon after the stock was transferred to Mr. Northgrave was it sold? Can you tell me that?—A. I can give you the exact date. He got his certificate, the first certificate, on November 18, 1927.

Q. And it was sold, I think you said, in February of 1928?—A. I can give you the dates—it was sold on the Toronto Stock Exchange, 340 shares on January 10; 550 shares on January 10; 205 on January 11; 25 on January 12; 25 on January 31; 25, 50, 20 and 50 on February 1; 60 and 5 on February 2; 25 on February 3; and 660 on February 13. The last sale was $47\frac{7}{8}$; the average about $50.

Q. Those numbers were sold, I suppose, at the prices they brought on the stock market for that stock?—A. Just the regular prices. The high for that year on that stock was $86\frac{1}{2}$ in December.

Q. You could not say whether the purchasers were already shareholders of the company or directors of the company?—A. I am sure they were not directors.

Q. You are sure they were not directors?—A. Yes, I am sure they were not directors; but there was a pool being formed by two companies in Toronto about that time, two brokerage houses that were not connected with the company at all, and they were acquiring considerable of the stock.

Q. Possibly trying to acquire a controlling interest?—A. They were; they were doing that; and we got an offer at one time from another firm of solicitors, before the Borden Company made their offer, of I think 170 for the common. I can get the exact amount. Excuse me just a minute, it is hard to find; I have got so much material here that I went through to get this. There was a price offered of $125 for the preference; the preferred was $100 stock, and there was no chance of the preference going for any more, except as an investment.

Q. Seven per cent?—A. It was unfortunate, but it was a fact, and it was not redeemable. We were offered $125 per share for the preference and $170 for the common.

Q. What date was this?—A. That was October 14, 1927. We got a letter, and Mr. Moore considered it, put it to the shareholders and advised them not to accept it. They thought it was not high enough. But at that time there were two brokerage houses that were accumulating shares, and I have no doubt that Mr. Northgrave's shares went into that accumulation, because they put the market up; it was a great concern to the directors if it was going up; they put the market up to 83½ in December of 1927—86½.

Q. I think there is one thing that should be cleared up, because after all, it is rather a reflection on the shareholders or on the bankers, if it should be true; I have had this suggested to me, that the proceeds for the sale of those shares may have been divided among the directors?—A. Absolutely not—absolutely not.

Q. All right; that is what I wanted to find out.

By Mr. Pickel:

Q. Mr. Brown, what did Borden's pay for the company, what equivalent in cash?—A. I can't tell you that. It was an exchange of shares.

Q. I understand; but how many outstanding shares had you?—A. We had outstanding—

Q. For transfer, you gave eight for seven?—A. Yes. You can figure it out. We had 700,000 of preferred which remained the same. There was no change in that. That is 7,000 preference shares.

By Mr. Spotton:

Q. 7,000 preferred?—A. 7,000 preference.

Q. 80,850 common?—A. 92,400 common, because you have got to add in, I suppose, that 12,000 of Mr. Northgrave's.

Q. That is right.—A. 92,400.

Q. That changes to Borden's?—A. I beg your pardon?

Q. I think my figure took the Borden's?—A. Yes, 92,400.

By Mr. Pickel:

Q. What was this $2,000,000 goodwill figured in at the time Borden's took the stock over?—A. That is a matter for Mr. Thorne, that he will have to answer. I can't tell you that. I would assume it would simply mean they revalued their assets, as a matter of book set-up.

Q. That was calculated in the assets?—A. It might be they just revalued it, whatever they thought. That might be put higher, or might be put lower. It would not signify whether they were worth it or not. At least, I think that is it. I don't know. Is that everything, Mr. Spotton?

Mr. Spotton: We will give you a rest for a minute, Mr. Brown. Before we conclude, I would like to ask Mr. Thorne some questions.

B. H. Thorne, recalled.

By Mr. Spotton:

Q. Mr. Thorne and I had a little misunderstand just as the committee was rising the other day. I guess I hadn't made myself clear when I had stated I was referring to the financial structure, and I was just giving from memory the figures; the record reads:

> Mr. Thorne: Might I correct Mr. Spotton's statements in which he referred to this fund of $6,000,000 as apparently growing from the capitalization of $1,900,000 of the City Dairy Company Limited. That item refers to revenue or funds beside the City Dairy Company.
>
> Mr. Spotton: What is that?

> Mr. Thorne: When you spoke of the $6,000,000 odd you said that it came from this capital of $1,900,000. The figure you gave includes revenues from other companies beside the City Dairy.
>
> Mr. Spotton: Those are the figures Mr. Bowman gave me as he was going out, of the financial structure as he gathered the data; so, at another sitting you and Mr. Bowman can have that out."

The ACTING CHAIRMAN: What page are you reading from, Mr. Spotton?

Mr. SPOTTON: The last page, that would be page 778.

By Mr. Spotton:

Q. Now, what I was trying to show then, Mr. Thorne, just from memory, was where you and Mr. Bowman left off; after going through the capital structure; Mr. Bowman said:

> In other words the capital structure of the company from 1921 had increased from $1,265,000 to about $4,500,000.

A. That covered the numbers, or that covered the issued shares after the date of acquisition, the issued shares of City Dairy.

Q. You and he agreed on that; you said yes?—A. Yes.

Q. I was from memory just trying to recall those figures, and I made a mistake in both. What I had in mind was, what a good benevolent people the Borden's are. They paid their way when they came to this country. They paid well. We are not objecting to American capital, as a committee, but they did not take over any sick companies; they took over healthy ones. Now then, following that up, assuming you and Mr. Bowman are correct, $1,265,000. This is what the City Dairy received from Borden's, as I take it on the date you sold out, $7,413,000, that is what the City Dairy was paid, a company which had a capital structure of $1,265,000 in 1921. So I think I might just refer to that as a great financial leap from 1921 to 1930. I think my figures are right, 7,000 shares which were redeemed at $135 each; that was right?—A. Yes.

Q. $945,000; 92,400 common shares which were transformed into 80,850 shares of Borden's?—A. That is right.

Q. Which were worth $80?—A. At the market price, yes.

Q. That was the market value on that date, which would be $6,468,000?—A. That is right.

Q. Then the total which Borden's gave the City Dairy the day they bought it, if they went down town and sold their stock, was $7,413,000?—A. Yes, they gave the shareholders that.

Q. Let me repeat. The 7,000 preferred were paid for and redeemed by $135; that is right?—A. That is right.

Q. And the 92,400 shares of common stock in the City Dairy was paid for by Borden stock which was worth on the market that day, $6,468,000, making a total of real value delivered to the City Dairy the date the contract was closed, of $7,413,000?—A. That is right.

By Mr. Pickel:

Q. Mr. Thorne, the last time you were here with Mr. Caulfield, Mr. Caulfield was to file with the Clerk the cost of the different percentages of cream, and the price at which they were sold.—A. Yes, 8, 16, 24 and 32 per cent.

Q. What is that?—A. The different percentages of cream marketed by this company.

Q. Yes. I notice that they have filed only one, 8, or 10.—A. 8, 16, 24, and 32.

Q. I should like the cost of those per gallon to the company, and the price sold to the public filed with the Clerk.—A. Per gallon?

Q. Per gallon.

By Mr. Spotton:

Q. Did you leave with the Clerk the total reserves of all your companies in Canada?—A. Quite awhile ago, yes.

Q. Would you mind telling us the amount?—A. It was eighteen million something, I have forgotten the fraction.

By Mr. Senn:

Q. Mr. Thorne, most of your subsidiaries buy their sweet cream outside and do not separate surplus milk; is not that correct?—A. Some do, and some do not, Mr. Senn. I would not like to quote all of it.

Q. Prices have been quoted from time to time as the price per pound of butterfat at which your cream was purchased. When you are furnishing those figures of Dr. Pickel's, could you give us the price per pound of butterfat at which your cream was disposed of?—A. Yes, we can work that out.

By Mr. Pickel:

Q. In the Caulfield Dairy, they bought 40 per cent cream at $1.28 a gallon?—A. Yes, that was a rough estimate.

Q. Will you just file those with the committee?

By Mr. Spotton:

Q. There is one thing I should like to know, Mr. Thorne, as I know you like work, but your work is nearly over for this year. I think Mr. Caulfield promised me that he would give us the salaries that the Caulfield family drew. He said they worked for a mere wage, his father $700 or $800 a month and that the boy received $35 or $40 a week, and only stayed a week. I should like to have the salaries they received for the last ten years or so. I should like to know the salaries of the Caulfield family as Mr. Caulfield promised.—A. I did not gather that impression, reading the minutes. I did not gather that was a question to be submitted later on, reading the minutes.

Q. Well, it is not necessary to recall him, is it?—A. I believe he answered that; he did not know positively.

Q. I understood he was going to try to get it. If it is not so stated in the minutes, I should appreciate it very much if you would be kind enough to give it to us. If he does not want to do it, why, you can leave the impression that it gives throughout the country.

The ACTING CHAIRMAN: If there are no other questions, I shall now adjourn the meeting.

Mr. PICKEL: I have a letter in my room, but unfortunately I did not bring it with me, from a Mr. Fletcher, one of the witnesses we have heard from the producers' point of view. It contains two or three statements by different farmers as regards the cost of the production of milk. That is all there is in it, and I should like to have it read into the record, if the committee will permit it. It contains just three statements from three different farmers in connection with the cost of the production of milk.

The ACTING CHAIRMAN: You will hand it to the Clerk.

Mr. PICKEL: I will hand it to the Clerk.

The committee adjourned at 5.40 p.m. to meet again at the call of the Chair.

DIRECTORS' FEES—EXECUTIVE SALARIES—CITY DAIRY COMPANY, LTD., AND THE DRIMILK COMPANY, LTD.

—	—	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922
Messrs.		$	$	$	$	$	$	$	$	$	$	$
S. J. Moore........	City Dairy, Chairman of the Board.	220 00	160 00	5,416 62	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	500 00
	Drimilk Co.			833 34	2,000 00	2,000 00	1,000 00					
A. E. Ames.......	City Dairy, Director	160 00	120 00	1,625 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	100 00
	Drimilk Co. Executive Board.			125 00	300 00	300 00	150 00					
E. G. Baker.......	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	300 00	
	Drimilk Co............			83 34	200 00	200 00	100 00					
D. Massey........	City Dairy, Director...	....	....	400 00	400 00	400 00						
	Drimilk Co............			83 33	200 00							
T. A. Russell......	City Dairy, Director...	....	....	400 00								
	Drimilk Co.			83 33								
J. N. Shenstone...	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	400 00	100 00
	Drimilk Co.			83 33	200 00	200 00	100 00					
Erichson Brown...	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	400 00	100 00
	Drimilk Co.			83 33	200 00	200 00	100 00					
Col. F. H. Deacon	City Dairy, Director	....	....	1,225 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	100 00
	Drimilk Co. Executive Board.			125 00	300 00	300 00	150 00					
M. Bredin.........	City Dairy, Director...	....	....	....	200 00	400 00	400 00	400 00	400 00	100 00		
	Drimilk Co.				100 00	200 00	100 00					
J. G. Kent........	City Dairy, Director...	....	....	....	....	....	....	400 00	400 00	400 00	400 00	100 00
Geo. Weston......	City Dairy Co., Director.	....	....	....	....	....	....	....	....	100 00	400 00	100 00
C. B. McNaught..	City Dairy, President..	....	....	....	....	....	....	....	....	....	....	5,916 62
C. M. Ruttan......	City Dairy, President..	9,450 00	10,500 00	7,625 00	1,600 00							
	Drimilk Co.	6,750 00	7,500 00	,7900 00								
J. Findley.........	City Dairy, Secretary..	4,230 00	4,700 00	4,700 00	4,700 00	3,825 00	4,250 00	2,700 00	2,700 00	2,700 00	2,700 00	2,750 00
J. H. Allemang....	City Dairy, Asst.	2,700 00	3,000 00	3,898 33								
	Drimilk Co. Treas.	2,700 00	3,000 00	2,201 67								
W. J. Northgrave.	City Dairy, President..			20,000 00	45,000 00	40,000 00	40,000 00	40,000 00	20,000 00	20,000 00	20,000 00	20,000 00
	Drimilk Co.			5,000 00	15,000 00	10,000 00	10,000 00	10,000 00	30,000 00	25,000 00	5,000 00	5,000 00

NOTE.—There were no additional salaries or fees drawn by above named on account of City Dairy Farms.

CITY DAIRY COMPANY, LTD.

INVESTED CAPITAL AND NET INCOME

Year	Capital Reserves Surplus	Net Income
	$ cts.	$ cts.
1904	838,060 76	18,651 24
1905	869,499 63	27,924 88
1906	965,848 94	32,271 92
1907	968,236 26	33,580 44
1908	979,299 35	35,528 09
1909	1,045,881 74	43,527 31
1910	1,099,012 24	54,408 70
1911	1,319,002 50	76,909 50
1912	1,342,838 90	84,136 40
1913	1,349,260 75	90,650 04
1914	1,372,690 86	128,955 11
1915	1,384,086 53	101,646 95
1916	1,340,847 89	18,018 14
1917	1,391,180 52	70,274 83
1918	1,424,507 40	112,022 62
1919	1,514,897 26	115,389 86
1920	1,534,168 10	117,770 84
1921	1,614,648 24	185,980 14
1922	1,734,586 15	225,437 91
1923	1,462,313 35	281,860 58
1924	1,605,621 59	257,283 24
1925	1,763,151 92	274,330 33
1926	1,902,242 21	278,490 29
1927	2,097,619 62	323,902 41
1928	2,191,783 07	327,963 45
1929	2,320,911 08	362,928 01
Total	37,432,196 86	3,679,843 23
Average per year	1,439,699 88	141,532 43
Average per cent Net Income to Investment	....	9·83068

COST OF PRODUCING MILK BY W. H. LOWES, CANNINGTON, ONT.

Cost to Produce 100 Pounds of Milk

In our experience with cows, we find that for depreciation in the herd we have to supply one new cow per five, every year. Now we figure that cow in the feed. That is, in a ten cow herd, we would be feeding 12 cows and 1 bull, making 13 in all. The loss of the 1 cow per five would be in the depreciation and equipment column.

THIRTEEN COW HERD

12 pound chop per day at $11 per ton	$1 33
30 " ensilage at $3	0 56
10 " hay at $8	0 52
10 " cut oat sheaf at $8	0 52
1 man full time	0 75
Board	0 75
Depreciation and equipment	0 50
	$4 93

Four dollars and ninety-three per day for 31 days, $152.83.
Pounds of milk for 31 days, 6,840.
Cost per 100 pounds milk, $2.23.

COST OF PRODUCING MILK BY M. RUTHERFORD, COLBORNE, ONTARIO

To produce 400 pounds milk per day (5 cans shipper).
Takes 20 head of cattle, cows, young cattle, etc.

Farm to grow feed for above, value..	$7,000
Equipment, stock, implements, etc..	3,000
	$10,000

Labour—farmer and younger man 17 or 18.

Interest charge on $10,000 at six per cent..	$600
Hired help, including board..	400
Farmer, work alone..	600
Insurance and taxes per annum..	205
Repairs to farm fences and buildings per annum.. ..	150

Operating costs per year, $1,955; operating costs per day, $5.75.

400 pounds daily—cost on farm per cwt..	$1 34
Cost of hauling—35 cents per cwt..	$ 35
Cost delivered in city..	$1 69

Surplus milk and calves pay for depreciation in herd.

COST OF PRODUCING MILK WITH A HERD OF TWENTY-FIVE COWS

From C. C. Haviland, Wilsonville

Twenty-five cows at $60 each, $1,500; one bull at $50, $50; stable for same, $2,500; Interest at 5 per cent, $275.

Cost of feed 15 pounds meal per cow for year at 1 cent per pound..	$1,368 75
Cost of feeding bull 30 pounds hay per day at $6 per ton..	32 85
25 cows feed 20 pounds hay per day at $6 per ton...	346 00
25 cows feed 30 pounds silage per day at $3.50 per ton..	476 00
Straw—200 pounds per day at $4 per ton..	146 00
Salt and mineral feed..	40 00
Veterinary fees..	50 00
Insurance on cattle and stable..	30 00
Electricity for pumping water and grinding, light..	80 00
Forks, shovels, pails and milk utensils $20, 50 per cent depreciation..	10 00
"Fly Knocker" for 4 months in summer..	8 00
Labour 2 men full time at $1 per day..	730 00
Board of men at $5 per week..	520 00
	$4,037 60

Receipts:

Twenty-five cows producing 7,000 pounds per year—175,000 pounds costing $4,037.60 or $2.30 per hundred pounds at the farm.

Present prices $1.45 at dairy—average haulage 25 cents per hundred—$1.20 for 175,000 pounds milk—$2,100 or a net loss of $1,937.60 for the year.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MAY 12, 1933

No. 28

Reference,—Milk and Milk Products

Final Report

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEDURE

House of Commons,

Friday, May 12, 1933.

The meeting came to order at 11.30 a.m., Mr. Senn in the Chair.

Members present: Messrs. Bertrand, Bowman, Bouchard, Bowen, Boyes, Carmichael, Fafard, Gobeil, Loucks, Lucas, McGillis, Moore, Myers, Pickel, Rowe, Sauve, Senn, Simpson, Spotton, Stirling, Taylor, Tummon, Weese, Wilson.

The Chairman presented the draft report of the subcommittee appointed and empowered to prepare same.

The draft was read at length and then considered clause by clause.

Each clause of the draft having been separately adopted (some with amendments), the same was then adopted as the report of the committee and the Chairman instructed to present it to the House forthwith.

The meeting adjourned.

A. A. FRASER,
Clerk of the Committee.

FINAL REPORT

May 12, 1933.

Your Committee has had under consideration an Order of Reference dated February 23, 1933, namely:—

"*Ordered,*—That the Select Standing Committee on Agriculture and Colonization be instructed to ascertain the facts connected with the production, collection, manufacture, distribution and marketing of milk and milk products, throughout the Dominion of Canada, with power to examine and inquire into all aspects of the said questions and report their findings to the House."

The witnesses called and examined were representative of the primary milk producers and the distributors. Officers of the Department of Agriculture addressed several meetings and gave valuable information.

Your Committee also studied, with interest and advantage, the Grigg Commission Report of Great Britain, the report of the Quebec Provincial Dairy Commission of 1932 and the report of Dr. Bond of Cornell University to the said Commission. The health and sanitary milk by-laws and regulations of the several cities investigated were examined and reviewed.

The evidence and this report have been widely distributed to interested parties throughout Canada, including librarians, provincial governments and universities as well as the producer and distributor organizations. It is felt that this distribution of facts, findings and recommendations will tend to a truer understanding of the situation and assist to a considerable extent, those concerned, in formulating policies and remedies.

The Committee has held thirty meetings and taken the evidence of forty witnesses comprising one thousand pages in printed form. A copy of the evidence is tabled herewith for the information of the House. A study of the evidence adduced discloses that,—

During recent years total milk production in Canada has increased and during the same years there has been a tremendous increase in milk consumed as such, the latter increase being due to increasing per capita consumption coupled with an increasing population. The result has been that the demand for milk for domestic consumption has increased much more rapidly than the increase in production. Between 1925 and 1930, total milk production increased by about 18 per cent but during the same period the quantity of milk required for domestic consumption increased by about 85 per cent. The relatively greater increase in the milk for domestic consumption as compared with milk production has necessitated a withdrawal of milk from other outlets in order to supply the increased demand for domestic consumption. This is illustrated by the following statement which shows the percentages of the total milk production used for different purposes in 1925 and 1930:—

For—	1925 %	1930 %
Cheese	15·82	9·10
Creamery and Dairy Butter	50·31	44·76
Condensed, Evaporated, Dried Milk, etc.	1·50	1·35
Ice Cream	0·74	1·03
Consumed as Milk and Cream	27·11	42·65
Other purposes	4·52	1·11

It will be observed from the foregoing tabulation that the percentage of total milk production used for domestic consumption is 15½ per cent greater in the latter than in the former year while with the exception of ice cream, lesser percentages of the total milk production are devoted to the purposes of the manufacture of dairy products. It will also be observed that the greatest reduction in the percentage of total milk production entering into the manufacture of any one dairy product has been with respect to cheese, which viewed from a standpoint of total milk production utilized for this purpose might appear at first thought to be of minor importance. Since, however, cheese is, from a standpoint of the export trade, the most important of the different dairy products, it is an important factor in determining prices of milk for other purposes, and is therefore of much greater importance than indicated by the percentage of the total milk production which enters into its manufacture.

Owing to the magnitude, diversity and dominion wide scope of the dairy industry, your committee decided to commence its inquiry by a study of the production and distribution of fluid milk and cream.

The rapid increase in urban population, combined with the public demand for a pure and healthy supply has resulted:—

(*a*) In an increased cost of production; (*b*) a complicated and expensive system of collection, processing and distribution.

Cost of Production

The main factors in estimating the cost of production of milk are:—

(*a*) Cost of feeds and labour.
(*b*) Replacement of herds.
(*c*) Necessity for a regular and constant daily and seasonal supply.
(*d*) Transportation costs.
(*e*) Requirements of provincial and municipal laws and regulations in regard to cleanliness, sanitation and health.
(*f*) Depreciation of buildings and equipment.
(*g*) Interest on capital investment.
(*h*) Insurance.

Returns to Producers

These costs are not reflected, as they should be, in the returns to the primary producer but the price paid the producer of fluid milk is arbitrarily fixed and controlled by the distributors, having regard, to some extent to the prevailing prices of butter and cheese and the surplus supply; it being generally agreed by all witnesses that the farmer-producer is not receiving an adequate return for his labour and investment.

Store Sales

The comparatively recent advent of stores, and particularly chain stores, into the retail milk business was brought to the attention of the Committee. Price cutting by featuring milk as a leader has resulted in upsets in the industry, coupled with extremely low returns to the producer. The featuring of milk as a leader should be discontinued.

Producers' Associations

Producers' Associations have been formed in many districts, for such purposes as collective bargaining, and controlling surplus.

The unenforceable agreements between distributors and producers presently used, respecting prices and supply, should be replaced by contracts enforceable at law.

Your committee recommends that tribunals should be set up vested with authority to settle differences between producers' and distributors' organizations and, if necessary, to fix the returns to the producers and the prices charged the consumer.

Producers Co-operative

The result of co-operative organization by the producers was evidenced by witnesses representing the Fraser Valley Milk Producers' Association, the northern section of the Alberta Pool and the Saskatoon Dairy Pool.

These co-operative efforts have met with considerable success, with resultant substantial benefits to the producer members of their associations.

Your Committee finds that the measure of success of co-operative efforts is dependent upon local conditions.

It is worthy of note that the Saskatoon Dairy Pool succeeded in reducing the spread and at the same time gave to the producer 46 per cent of the consumer's dollar.

Distribution Costs

The main factors determining the cost of distribution are:—

(*a*) Pasteurization and provincial and municipal sanitary and health regulations.
(*b*) Duplication of services.
(*c*) Special services.
(*d*) Labour costs.
(*e*) Bottle losses.
(*f*) Bad debts.
(*g*) Depreciation of distributors' plant and equipment.
(*h*) Fluctuating demand.
(*i*) Dividend requirements.

Pasteurization and Other Regulations

Pasteurization of the milk supply is compulsory in some cities, and has been adopted because of the consumers' demand in nearly all. Pasteurization costs, and the cost items above enumerated, though not definitely determined by the inquiry undoubtedly add considerable to the cost spread.

Provincial and municipal laws and regulations have been enacted, designed to ensure the purity of the milk supply and to fix standards of quality. Such regulation and control cannot be too highly commended but the committee is of the opinion that greater uniformity of such laws and regulations is desirable.

Duplication of Services

The overlapping of delivery and collecting routes by numbers of distributors in the same area is a serious factor affecting the price to the consumer and the returns to the producer. The committee is of opinion that such overlapping should as far as possible, be eliminated.

Bottle Losses

Substantial sums of money are spent annually in bottle replacements. The evidence discloses a wide variation in the percentage of losses charged by the different distributing companies for this purpose.

Bad Debts and Special Services

The consumer who receives special service and is accorded credit should pay the cost and loss resulting therefrom; whereas the evidence shows such costs and losses are charged to the consumer at large.

Surplus Milk Problem

Producers are paid a price called an association price for a percentage of milk delivered, and a much lower price for the balance which is designated as surplus milk, and generally paid for at the prevailing butter fat price.

The basis upon which the percentage of surplus milk is calculated is not clearly defined and in many cases is arbitrarily fixed. As a result much dissatisfaction prevails among producers over the percentage paid for as surplus milk.

Producers' associations have endeavoured to control the surplus but with indifferent success.

Producers and distributors are agreed that control of the fluid milk supply would have a beneficial stabilizing effect.

The present system of paying on a surplus basis for a certain percentage of milk consigned by the individual producer, a percentage determined exclusively by the distributor is inequitable. Milk bought for other purposes than fluid distribution should be purchased under separate contract.

Sweet Cream

This is an important item in the industry and one of the most profitable for the distributor. The volume of milk required for the production of such cream is exceeded only by that used in fluid milk sales. The greater number of the distributors purchase their supply direct from the producers at a price slightly above the prevailing price for churning cream.

The evidence disclosed that in some cases surplus milk is separated and the cream sold in the sweet cream trade while the by-products—such as skim-milk—instead of remaining on the farm where it might be profitably fed to stock is dumped in the sewer, while in some cases, surplus milk is added for the purpose of reducing the fat content of cream to the desired grade.

The Distributor

Your Committee, owing to the magnitude of its task and the brief time at its disposal, did not have as full an opportunity as might be desired to investigate the financial growth, capital structure, profit and loss accounts, and other like details of the distributing companies.

The evidence presented clearly indicates that while the returns from most industries have during the past two or three years, materially decreased, such cannot be said of those interested in the distribution and sale of whole milk. The salaries and returns to executive and operating officials and shareholders of the distributing companies have, in a large measure been maintained at the 1927, 1928 and 1929 level although business and industry generally have, since 1929, declined very markedly, and milk prices to the producer have been reduced to an extremely low level.

We desire to draw attention to a few of the more outstanding facts as disclosed by the evidence in respect to capitalization, depreciation charges, etc., of those engaged in the sale and distribution of whole milk products.

1. *Capitalization.*—Over a period of years there is a marked growth in the capitalization of those companies which have been engaged in the business for any considerable length of time. While much of this increased capital was added in the ordinary way, because of increased business, it is very apparent that over-capitalization exists. Some of the ways in which this has been brought about are:—

(*a*) By purchasing or absorbing, by merger or consolidation of other companies in the same line of business. These changes of ownership very frequently took place at an enhanced valuation which generally involved an increased stock issue by the purchasing or parent company.

(*b*) Goodwill.—Very substantial values were in many cases placed upon goodwill. For such goodwill the purchasing or parent company as a general rule issued common stock. No par value stock was used for this purpose in the majority of cases. This stock while nominally of no value, gradually appreciated in value as time went on, became dividend bearing and a charge upon the industry.

(*c*) By " splitting " shares,—The too-common practice of splitting or dividing shares seems to have been indulged in by many of the companies at one time or another during their history.

2. *Depreciation.*—There is a very marked difference in the method of calculating depreciation on buildings, machinery and equipment. The Committee is of the opinion that depreciation reserves set up by many of the distributing companies, were calculated on an unwarrantedly high basis, and that frequently depreciation reserves cover hidden profits.

3. *Bad Debts.*—To a lesser extent the remarks in the preceding paragraph might well apply to reserves for bad debts.

4. *Salaries.*—The Committee are of the opinion that salaries paid to some of the higher officials of the various distributing companies are at this time, entirely too high and wholly unjustifiable.

5. *Profits and Dividends.*—Those engaged in the sale and distribution of whole milk products have during these very difficult times, in a substantial way at least, been able, unlike most other industries, to maintain their profits at the same level as in more prosperous times. It is true that in certain cases dividends have been reduced and in some cases discontinued. In the most of such companies however, substantial reserves continue to be set aside annually as in previous years. The Committee is of the opinion that dividends might very well have been declared by some companies in which producer-shareholders are interested. The failure to pay dividends in such cases has undoubtedly had the effect of reducing the value of the stock in the public mind and possibly cause dissatisfied producer-shareholders to sell or dispose of their stock at less than actual value.

6. *Merger, Purchase or Absorption of other Companies or Interests.*—The evidence presented to the Committee clearly indicates that the sale and distribution of whole milk products is gradually getting into the hands of fewer and larger companies. Economies to the companies interested may have resulted, but there is no evidence of any benefits accruing from such mergers to either the producer or the consumer. In many cases there is evidence that mergers have removed competition and the general effect is undoubtedly to give the distributors a more definite control of the situation.

Producer's Share of the Consumer's Dollar

The matter of a just share of the consumer's dollar as it relates to the distributor and the producer, is important to the conduct of the milk business. That each should receive a just share as a remuneration for his efforts is recognized, having due regard to the consumer's interest.

Our investigation has thrown considerable light upon this problem, in as much as it shows conclusively that the producer's share has decreased very substantially during recent years.

Such evidence as was directed to the point leads your Committee to the conclusion that the producer is not receiving an equitable share of the money paid for milk by the consumer.

The milk distribution business is made possible by the industry and investment of the primary producer and it is the opinion of the Committee that the primary producer is entitled, at least to a much greater share in the ultimate proceeds of the sale of this product.

Other Milk Products

Milk not required for fluid consumption is manufactured into many different products of great commercial value. These represent in the aggregate nearly 60 per cent of the total. It is apparent, therefore, that your Committee has investigated only a very limited part of the subject referred to it.

The prosperity of the milk industry is co-related with and dependent upon the successful production and sale of butter, cheese, evaporated and powdered milk, casein, skim-milk-powder, etc.

Your Committee is convinced that a thorough investigation into the production, manufacture and sale of these commodities should be undertaken.

Your Committee, in view of the foregoing findings, conclusions and recommendations further recommends:—

That steps be taken to inquire into the manner in which our production of milk should be manufactured and marketed; to explore the different markets available at home and abroad; to investigate the possibility of new markets, and to study the methods of collection, handling and storage.

The Committee being confined by its Order of Reference to ascertaining the facts connected with the milk industry and to report the same to the House, now respectfully submits the evidence taken and its findings and conclusions therefrom.

(For Minutes of Proceedings, etc., accompanying said Report, see Appendix to the Journals, No. 1)